

THE IMPACT OF CPEC ON PAKISTAN ECONOMY: AN ANALYSIS FRAMEWORK

AKASH KHAN¹, LIU HONG ZHONG², FARKHANDA ILMAS³, DR. ABDUL RASHID⁴, DR. ATTAULLAH JAN⁵,

¹Ph.D. Scholar, School of International Economics and International Relations, Liaoning University, Liaoning, 110000, China. E-mail address: akashkhanndu@gmail.com

²Shanghai International Studies University, China. (Corresponding Author)

Email: hongzhongliu@126.com

³Ph.D. Scholar, School of Economics and International Relations, Liaoning University, Liaoning, 110000, China. Email address: faree_chaudary@yahoo.com

⁴Department of Management Sciences, Abasyn University Peshawar. E-mail address:

abdur_rasheed2007@yahoo.com

⁵Ph.D. from Pakistan Study Centre, University of Peshawar. E-mail address:

attaullahjan8@gmail.com

Abstract

The China-Pakistan Economic Corridor (CPEC) has been a major topic of discussion and debate in recent years, with many arguing about its potential impact on Pakistan's economy. This paper aims to analyze the mechanisms through which CPEC will impact Pakistan's economy. The paper begins with an introduction to CPEC and the Pak-China cooperation before delving into the specific subtopics of infrastructure, energy, and economy. We examine the infrastructure projects that are being built as part of CPEC, including roads, railways, and ports, and explore how these projects are expected to improve Pakistan's transportation and logistics capabilities. We also investigate the energy projects that are part of CPEC, which are expected to greatly increase Pakistan's energy capacity. Finally, the paper examines the potential impact of CPEC on Pakistan's economy, including its effects on the country's GDP, employment rates, and other economic indicators. In conclusion, this paper provides an analysis framework for understanding the potential impact of CPEC on Pakistan's economy, and suggests that the benefits of CPEC are likely to be significant.

Keywords: China, Pakistan, CPEC, Infrastructure, Energy and Economy

1. INTRODUCTION

The CPEC is a huge infrastructure and energy project that is part of China's BRI. The harbor of Gwadar, located in the southwestern part of Pakistan, will be connected to the Xinjiang region in the northwestern part of China through the construction of a 3,000-kilometer network of roadways, railroads, and pipelines as part of this project. The initiative also includes a number of energy-related projects, like wind farms and power plants that use lignite as fuel. The whole project is expected to cost close to \$62 billion, making it one of the largest infrastructure projects ever done anywhere in the world (Prasso 2020). The CPEC has the potential to have a big impact on Pakistan's economy. Pakistan has had a lot of problems with its economy, such as rising inflation, a big trade deficit, and a lack of investment from other countries. This initiative aims to solve these problems by improving communication both within the country and with China, encouraging foreign investment, and speeding up economic growth.

CPEC puts a lot of focus on improving Pakistan's physical infrastructure, and these efforts have already led to a lot of progress in the country. New roads, railroads, and harbors have made it easier for people to travel within the country and to get to China. The transformation of Gwadar into a significant center for trade and business is one of the primary goals of the project, and one of its most important components is the establishment of the Gwadar harbor. The port has already made significant progress with the completion of a new container facility in March 2019, which increased the port's capacity from 1.2 million to 2.5 million twenty-foot equivalent units (TEUs) per year (Ahmad 2021). Additionally, the port has seen significant growth in recent years. It is anticipated



that the extension of the harbor will stimulate increased commerce between Pakistan and other nations, specifically China.

Another important part of the CPEC project is the setting up of Special Economic Zones (SEZs). These zones are meant to attract foreign investment and speed up the growth of the economy. Investors will be able to get a variety of benefits from the SEZs, such as tax breaks, less strict labor laws, and easier customs procedures. Up to this point, the Board of Investment Pakistan has given its approval to a total of nine SEZs, of which four are currently in the process of being put into effect (Hussain and Rao 2020).

CPEC has also had a big effect on Pakistan's energy industry, which has been struggling with a lack of energy for a long time. As part of the CPEC, a number of different energy projects have been established. These projects, which include coal-fired power stations and wind farms, have helped resolve Pakistan's energy scarcity. According to the Pakistan Economic Survey 2020-21, CPEC-related energy projects have contributed 7,262 megawatts (MW) of electricity to Pakistan's national infrastructure (Ahmad 2021). This represents approximately 25% of the country's total operating capability in terms of electricity generation (Ahmad 2021). As a result of the successful conclusion of these projects, Pakistan has seen a reduction in the number of power disruptions and an improvement in the country's overall availability of electricity.

As part of the CPEC, a number of hydroelectric projects will be built in Pakistan. These projects will help Pakistan capitalize on its enormous untapped renewable energy potential. When it is finally finished, the Dasu hydroelectric project, for instance, is anticipated to contribute 4,320 megawatts of additional electrical capacity to Pakistan's national infrastructure (Isaad 2022). It is possible that the initiative will lessen Pakistan's dependence on natural fuels and contribute to the country's progress toward sustainable development.

The CPEC could make a big difference in Pakistan's economy by lowering the costs of doing business there and making the country more attractive to foreign investors. Improving Pakistan's connections with China could also make it easier for the country to reach China's huge customer market, which could be a big market for Pakistani goods. As part of the CPEC, Chinese businesses have already made significant investments in Pakistan's energy and infrastructure industries. But there are also worries about how CPEC will affect the value of Pakistan's currency (Anwar and Wuyi 2022). There are those who believe that the project could lead to Pakistan falling into an unmanageable level of debt with China, and these individuals voice their concerns about this possibility. Concerns have also been raised about the lack of accountability in the project's financing and management, which could lead to both wrongdoing and poor management.

The CPEC could have a big impact on Pakistan's economy because it puts a lot of emphasis on building infrastructure and energy projects. The goal of the initiative is to improve connectivity both within Pakistan and with China, lower the cost of doing business, encourage foreign investment, and help the economy grow. In general, the influence that CPEC will have on Pakistan's economy will be determined by the efficiency with which the project is carried out and handled over the next few years.

2. CPEC AND PAK-CHINA COOPERATION

The CPEC was first proposed by Chinese Premier Li Keqiang when he went on a state visit to Pakistan in May of 2013. In order to expedite the construction of the project, the CPEC secretariat was established in Islamabad in August 2013. The plan was discussed between the Pakistani Prime Minister and his Chinese counterpart when the Pakistani Prime Minister was in China in April of 2014. In November 2014, China said, as part of the CPEC concept, that it will provide financial support to Chinese enterprises in order to create infrastructure and energy projects in Pakistan with a combined value of \$46 billion. The agreement was officially signed on April 20, 2015, in Pakistan, when the president of China was there on a state visit. Pakistan and China are hopeful that the project will boost their existing bilateral commercial and economic connections (Esteban 2016).

Scholars and policymakers agree that the establishment of economic corridors is essential for the advancement of development and economic growth in every nation. The CPEC is another economic



corridor that has the potential to enhance Pakistan's development and economic growth. The CPEC aims to encourage stronger regional and global cooperation and collaboration, which will ultimately lead to higher economic development in the area. On the other hand, the area's advantages are far greater. Because of the long-standing affinity between Pakistan and China, it is anticipated that CPEC would increase commercial and economic cooperation between the two countries.

As part of the CPEC, China originally committed to investing \$46 billion in Pakistan. In later years, it increased to a total of \$75 billion US dollars. As a direct consequence of this, this is a one-of-a-kind plan that will link a wide variety of nations located all over the globe. This will result in the formation of new power relations at both the regional and worldwide levels of politics. The first investment will be made by China in the expansion of the Gwadar Port in Pakistan. In addition, in the not-too-distant future, China will have a direct connection to the port by both roads and railroads. It is anticipated that this programme would invest in a variety of expansive projects involving the construction of infrastructure. It is projected that the total value of CPEC would be greater than the total amount of assistance that the United States has provided to Pakistan during a period of 15 years starting in 2002. This time period will begin in 2002. CPEC is critical not only for Pakistan's socioeconomic progress but also for China's economic market and commerce. This is due to the fact that CPEC will strengthen China's ties with a number of countries via Pakistan. CPEC is important for both of these reasons (Husain 2017).

Many academics are under the impression that the CPEC would open up new opportunities for the socioeconomic development of Pakistan. It will facilitate Pakistan's ascent to hitherto unachieved economic heights. It will make available a number of hitherto unavailable alternatives and opportunities for economic development. It is anticipated that the economic development brought about by CPEC would assist the nation in achieving economic stability. As part of the larger CPEC programme, several industrial zones are now being constructed. When completed, these zones will ultimately provide employment opportunities for the people of Pakistan. It is anticipated that the CPEC would be beneficial to Pakistan, which has been struggling with an inadequate supply of electricity since the turn of the century.

In order to alleviate the energy shortages that exist throughout the nation, China has decided to invest in a variety of energy-related projects. These projects are intended to provide industrial zones with full operational support when they are completed. As a consequence of this, it is reasonable to suppose that CPEC would aid Pakistan in resolving its energy issue by investing in a plan for the generation of electric power. The expansion and development of the country's economy is one of the goals of the construction of both industrial zones and electric power plants. In addition to this, the CPEC will offer Pakistan with three marine ports that are completely functional. It is expected that the completion of the Gwadar Sea Port would promote trade between Pakistan and China with the rest of the world. China has promised Pakistan its full help for the opening of the port. Establishing commercial connections with countries in the Middle East and those that are landlocked will bolster Pakistan's status as a geostrategic powerhouse.

The CPEC is beneficial not only to Pakistan but also to Afghanistan and other Central Asian nations. Countries like Afghanistan and Central Asia are surrounded entirely by land. In addition, a few of these countries are completely surrounded by land on all sides. Because of this, doing business with other countries via the use of waterways is challenging for them. Because it would enable these nations to engage in commerce through the sea and warm seas, the CPEC and its links are expected to be beneficial to these nations as well. Their commercial activity will increase, which will in turn help to keep their economy on track. These nations are required to make tax and customs payments to Pakistan in return for doing business via Pakistan. Pakistan will also have the option to start its own business with these landlocked and doubly landlocked nations, which would be a significant development for the country. As a consequence of this, it is anticipated that the CPEC would stimulate economic expansion and development in Pakistan by establishing connections between Pakistan and other landlocked and doubly landlocked states.

It is believed that CPEC would provide Pakistan with a significant number of advantages. When seen from a variety of angles, it is abundantly evident that one of the most important advantages offered



by CPEC is the stimulation of economic expansion and development. The CPEC is more than simply a project connecting the two nations of Pakistan and China. Nevertheless, representatives from a large number of other states were there. In addition to that, it encompasses a variety of economic, industrial, infrastructure, and connectivity development projects in Pakistan. However, due to the fact that all of the major projects will be interrelated, determining the potential benefits for economic growth will be an extraordinarily difficult task. Industrial zones, for instance, are anticipated to stimulate economic activity in the nation. Road connection is meant to be of assistance to industrial zones, but it is also a component of a more comprehensive strategy to build the country's infrastructure (Khursheed and Haider 2019).

According to reports, CPEC would improve the country's commercial ties with several new nations at various levels. The advantages of CPEC, on the other hand, may be classified in terms of its three fundamental initiatives. Three basic initiatives are included in CPEC. First and foremost, the Gwadar Sea Port and its associated development are critical components of this project. The project's second main component is land transportation and infrastructure development. Energy development is the project's third major component. These three essential initiatives may be examined individually and jointly in terms of the country's economic growth and development. These actions, however, are not unaffected by the regional politics and local dynamics of the country's four major provinces (Rana 2022).

In terms of economic growth and prosperity, the CPEC represents a game-changer for Pakistan. It is said that this would increase Pakistan's GDP. GDP is anticipated to grow by 7.5% (Zhukov 2022). Furthermore, as previously said, these three big initiatives would result in the creation of millions of new jobs in the country. Furthermore, Pakistan has vast economic prospects in terms of import and export. These chances are available not just to Pakistan but also to China. For example, the CPEC and the Gwadar port will lower China's distance from importing oil for its industries. China's entire distance decrease is projected to be around 11000 kilometres. It will also save China money on oil imports while also providing a safer path (Alam and Li 2019).

China will invest roughly 46 billion dollars in Pakistan in various initiatives that will finally lead to a brighter future. This funding is for three CPEC fundamental interventions rather than just one project. This investment is projected to go toward the development of new roads and high-speed rail, as well as power plants, communication and connectivity, and industrial zones. Gwadar is also planning a new international grade city near the Gwadar Sea Port to facilitate international trade. All of these initiatives and projects are projected to enhance job possibilities for the general public. According to a research published by Global Times (2017), CPEC would help Pakistan's economy attain stability and growth over time.

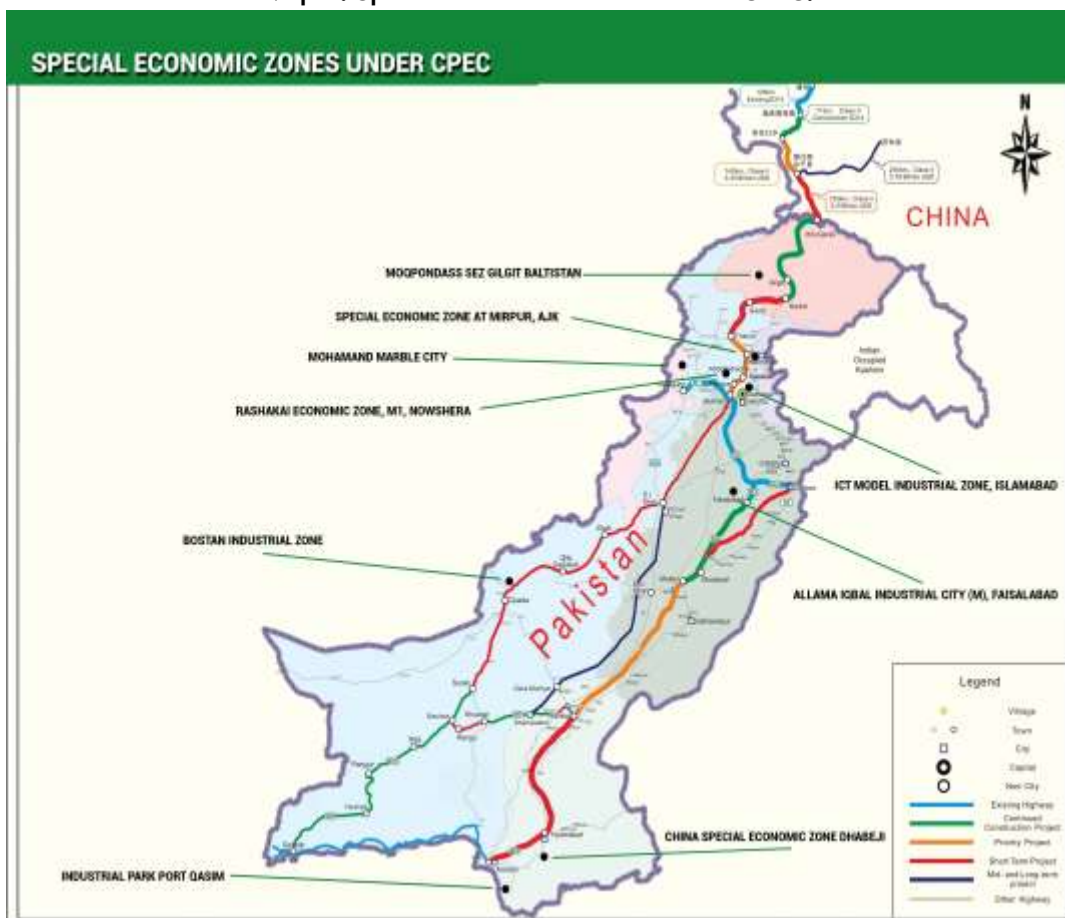
The growth of domestic manufacturing is an essential component of economic advancement. Pakistan is a less developed country when compared to India and China, which both have rapidly developing industrial sectors. Nevertheless, Pakistan plans to build a number of new industrial zones in order to improve the country's economic development and ensure the country's continued stability. Across Pakistan, brand new industrial zones are now under construction as a solution to the problem of spatial inequality. As a consequence of this, it is reasonable to state that industrial corridors are significant components of CPEC that will contribute to the expansion and growth of the economy.

On the other side, it has been recommended that commercial or industrial zones be established along the proposed routes of the CPEC in order to make international trade more straightforward. These projects for industrial zones are now being built around the nation in every province in order to provide support for economic development in each province. Under this particular subject heading, there are a total of nine different economic or industrial zones that need to be investigated. The Rashakai economic zone is currently being developed in Khyber Pakhtunkhwa. At Pakistan Steel Mills, the Sindh provincial government is working on establishing the Dhabeji Economic Zone and Industrial Park. The name of the industrial zone that is being planned in Baluchistan is Bostan. The Punjab-China Economic Zone would be located at Sheikhpura, which is located in Punjab. In addition, Islamabad is working on developing an information and communications technology model industrial zone. Construction is now taking place in the Bhimber Industrial Zone in Azad Jammu and Kashmir.



The Mohmand Marble City project has been proposed for the Federally Administered Tribal Area, and the Moqpondas Special Industrial Zone is scheduled to be developed in Gilgit Baltistan (Abbas and Ali 2017).

Map 1. Special economic zones under CPEC.



(CPEC 2019)

The CPEC is intended to boost commerce and trade between Pakistan and China at first. However, with the actual attractiveness of the Gwadar Sea Port and road access to landlocked nations, Pakistan would have the opportunity to enhance its relations with many countries across the world. As a result, it is correct to assert that CPEC would provide Pakistan with a chance to expand its economic and trade ties with Middle Eastern nations and Central Asian landlocked countries (Rehman and Hakim 2018). As a result, CPEC will provide a fantastic chance to expand trade and business. Furthermore, the project's appeal would help Pakistan overcome its trade imbalance, which has been one of the country's main economic issues since its inception.

3. THE MECHANISM OF CPEC'S IMPACT ON PAKISTAN'S ECONOMY

The CPEC is expected to have a big impact on Pakistan's economy in a number of ways. The construction of roads, railways, ports, and power plants are just some of the infrastructure development projects that will be carried out as part of the CPEC. These projects will help to improve connectivity and transportation infrastructure, lower the cost and length of travel, and create jobs in the construction industry and other related fields. The energy projects that are part of the CPEC, including the construction of power plants and transmission lines, will increase Pakistan's power generation capacity, which will in turn boost economic growth and productivity. Also, there will be fewer power cuts and shortages, and Pakistan's power supply will be more stable and reliable (Rana 2022).

Through joint ventures and partnerships, the transfer of technology and expertise, and movement up the value chain to produce higher-value goods and services, the industrial cooperation between China



and Pakistan that is being carried out as part of the CPEC will create new industries and boost existing ones. This will increase both the countries' levels of productivity and their level of competitiveness. The effect of the CPEC on Pakistan's economy will be felt in a number of different ways, including the establishment of new jobs, an increase in exports, an increase in foreign investment, and general economic progress and development.

3.1 Infrastructure

The CPEC is expected to have a big impact on Pakistan's economy, especially through the building of new infrastructure. The goal of the initiative is to improve communication both within Pakistan and with China. This could lower the costs of doing business in Pakistan and help the economy there grow. Here are some of the ways that building CPEC-related infrastructure could affect Pakistan's economy: Improved transportation and logistics: It is possible that building new freeways, railroads, and harbors in Pakistan as part of the CPEC project will make a big difference in the country's ability to move goods and get them to where they need to go. This could make transportation cheaper and boost the economy, especially in remote areas that haven't always had the infrastructure needed to support transportation. Increased connectivity could help with growth that is fairer and reduce differences in economic development based on where people live (Khan and Malik 2016).

Development of Special Economic Zones: As part of the CPEC, a number of SEZs will be built in Pakistan. These zones could attract a lot of foreign investment and help the economy grow. Foreign businesses can save money in these SEZs by taking advantage of tax holidays, less strict labor laws, and streamlined customs procedures. Setting up SEZs in Pakistan could boost the economy and create new jobs, especially in the manufacturing and textile industries (Hussain and Rao 2020).

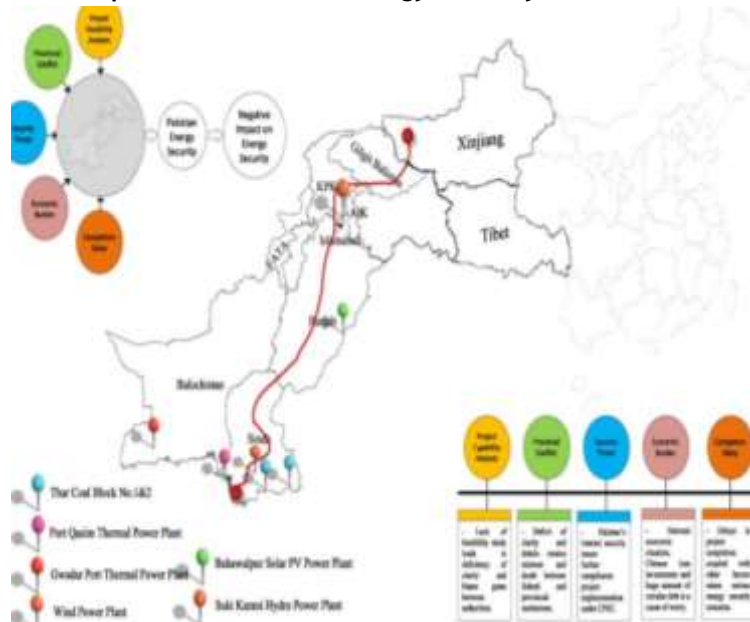
Development of Gwadar port: One of the main goals of the CPEC is to make Gwadar a major center for trade and business. The development of the Gwadar harbor will help this goal a great deal. The construction of the harbor at Gwadar has the potential to vastly enhance Pakistan's access to international marketplaces and to stimulate economic activity throughout the nation. It could also offer an alternative pathway for the transportation of China's energy supplies, which would lessen the country's dependence on the Strait of Malacca for the transportation of crude (N. A. Khan 2018). In conclusion, building infrastructure as part of the CPEC could have a big impact on Pakistan's economy by improving transportation and operations, building SEZs, building Gwadar Port, and making energy more secure. Concerns about how the project will be paid for and run must be addressed, though, if the project is to be successful and not hurt Pakistan's economy in the long run.

3.2 Energy

The CPEC puts a lot of importance on energy projects as a way to solve Pakistan's energy problem and help the economy grow. The persistent energy crisis that Pakistan is dealing with is one of the factors that has slowed the country's overall economic development. There are about 140 million people in Pakistan who do not have access to electricity or who are forced to endure daily load shedding for more than 12 hours (Javid, 2018). In recent years, Pakistan has been plagued by persistent power shortages in the form of load-shedding and power outages. These power shortages have resulted in billions of rupees' worth of losses, a significant contraction of local industry, widespread unemployment, and a catastrophic weakening of the Pakistani economy. Because of the energy shortage, the yearly loss in GDP is estimated to be somewhere around 2%. The gap between supply and demand is expected to widen even more in light of the fact that the country's population is now expanding at a rate of around 2% each year (Aziz & Ahmad, 2015). The Chinese government is committed to improving Pakistan's current energy situation. As the world's leaders in wind and solar energy, they have proposed many projects for the generation and transmission of electricity totaling 35 billion dollars. Current sectors, such as textile and agricultural production, will see a revitalization thanks to the development of new power plants, which will help relieve the difficult socioeconomic conditions that people are in. Out of the 21 new energy projects, 14 of them will be "early harvest" coal and renewable energy projects. These projects will provide 10,400 megawatts of electricity by 2018, which will be more than enough to supply the average demand of 4,500 megawatts (Hussain, 2017).



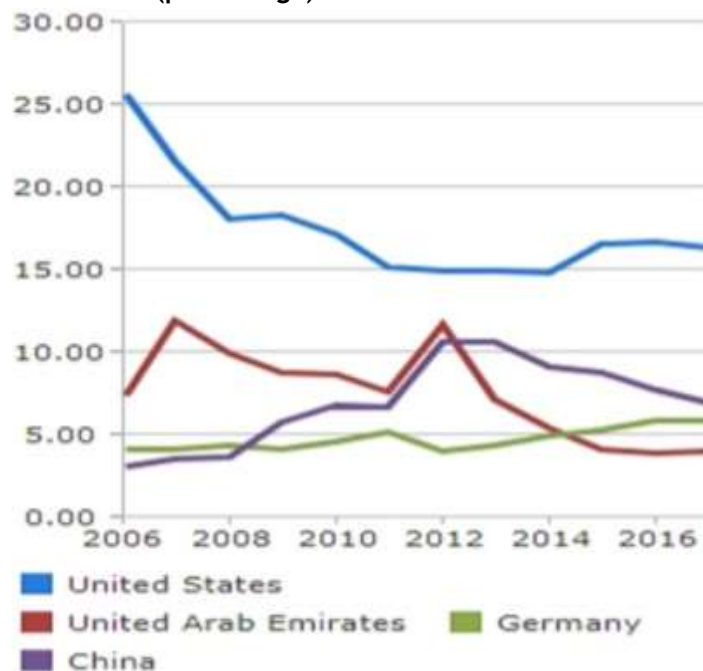
Map 2. CPEC and the Energy Security of Pakistan.



(Ahmed & Ali, 2019).

The deficit faced by the nation has grown significantly, notably after the year 2007, which has led to increased public dissatisfaction and a decrease in the production of industry. The CPEC encompasses a diverse array of energy projects, such as those that generate hydropower, thermal electricity, coal-fired power, nuclear power, and wind power. It is vital for industries to produce more items and improve the quality of those goods, which is important not just because it is advantageous for the formation of new employment possibilities. The stagnant economy of Pakistan may soon see rapid growth if the country is successful in luring more investment from outside and working with the governments of other nations on joint initiatives designed to increase exports. Additionally, as a result of this, the current imbalance in the amount of commerce between China and Pakistan, which is now tilted in China's favour, would be reduced (Afridi & Khalid, 2016).

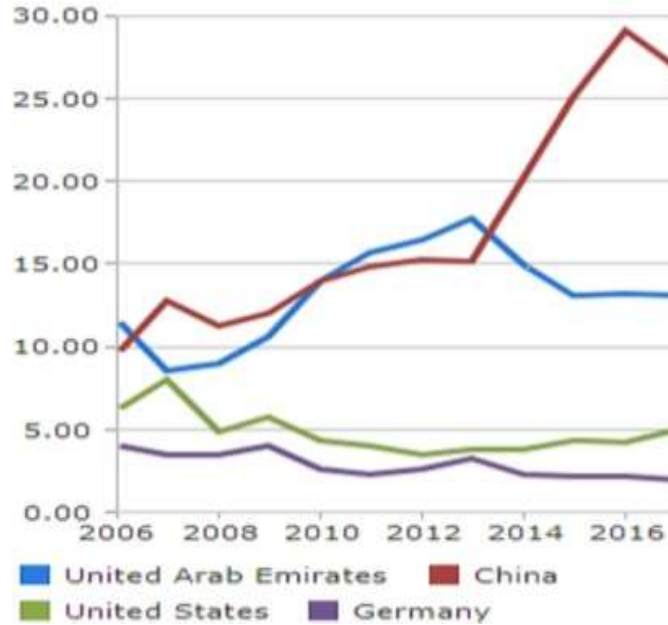
Figure 1. Export Partner Share (percentage) in Pakistan from 2006 to 2016.



(Rauf, 2019).

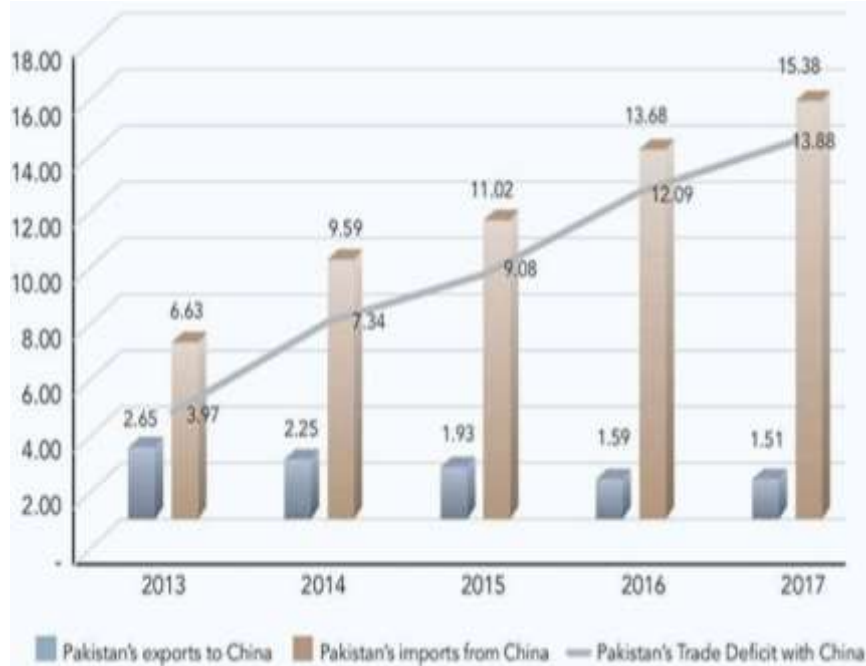


Figure 2. Import Partner Share (percentage) in Pakistan from 2006 to 2016.



(Rauf, 2019).

Figure 3. The Trade Deficit between Pakistan and China from 2013 to 2017 (in US dollars).



(Rauf, 2019).

A further element that inhibits economic expansion is a deficiency in the nation's communication infrastructure. The Planning Commission of Pakistan says that the transportation sector's poor performance costs the economy of Pakistan between 4 and 6 percent of its GDP every year (Liepach, 2017). As a result of the \$12 billion that will be spent on infrastructure, transportation, and communication as part of the CPEC, it is expected that Pakistan will be able to connect better (Khan & Khan, 2019). The ineffectiveness of Pakistan's transportation and industrial networks has been a drag on the country's overall economic growth. The situation is rendered much worse by the current surge of terrorism and militant activity that has swept over the area, which has resulted in severe damage to the region's infrastructure. The CPEC is an infrastructure development project that will create a network of motorways, railway tracks, pipelines, industrial parks, and economic zones. In



the first place, it will reduce the prices of both China's and Pakistan's commerce while simultaneously altering the modes of transportation. Second, it will increase economic connections with China, which is now the most important trading country in the world. One last benefit is that it will boost business inside Pakistan. In order to link Karachi and Gwadar's more outlying industrial regions, the CPEC project will construct a railway and road network. Enhanced connectivity will result in cost savings for transportation as well as a reduction in journey time. Additionally, it will boost exports while simultaneously enhancing the competitiveness of already-established enterprises. The following is a list of prospective effects that the energy initiatives that are part of CPEC could have on the economy of Pakistan:

Improved energy supply:

If CPEC's energy projects, like coal-fired power plants, hydroelectric projects, and wind farms are built, it's possible that Pakistan's energy supply will grow by a lot. Adding new energy projects to Pakistan's national infrastructure could reduce the number and length of power outages, which have been a major obstacle to the country's economic growth. A better energy supply could also make it easier for people to start new businesses in Pakistan and make the country's existing businesses more competitive at the same time (Cole 2019).

Reduced cost of electricity: If Pakistan adds new energy projects to its national infrastructure, it's possible that the price of electricity in the country will go down. This could lead to big benefits for businesses, especially those in energy-intensive fields like manufacturing, and it could also raise the living standards of the people who live there (Ishak and Nadeem 2019).

Export of surplus energy: If CPEC's energy projects are successful, Pakistan may be able to export its leftover energy to countries like Afghanistan and Iran thanks to these projects. This could make Pakistan's economy more competitive in the region and bring in more money for the country (Khokhar 2021).

Job creation: it is anticipated that the development of CPEC's energy projects will result in the establishment of thousands of new employment opportunities in Pakistan, specifically in the construction and management of the projects. The creation of new jobs has the potential to raise the general standard of living for the population while also contributing to the expansion of the economy (Hassan, 2020).

On the other hand, there are some worries regarding the influence that CPEC's energy initiatives will have on the economy of Pakistan. One of the biggest worries about the initiatives is how they will affect the environment, especially when it comes to coal-fired power plants, which could hurt both the air quality and the water quality. Concerns have also been raised about how the projects are paid for, since the Chinese government pays for most of them. Concerns have been raised about Pakistan getting stuck in a debt spiral, which could hurt the economy of the country in the long run (Malik and Baloch 2021).

In conclusion, the development of energy projects as part of CPEC may have a substantial effect on the economy of Pakistan through the enhancement of energy supply, a reduction in the cost of electricity, the possibility of exporting leftover energy, and the creation of new jobs. However, questions regarding the projects' effects on the environment and the financing of the projects need to be successfully addressed in order to ensure that the benefits of the project are achieved and that it does not have any detrimental long-term effects on Pakistan's economy or environment.

3.3 Economy

The goal of the CPEC, which is a huge infrastructure and energy project, is to help Pakistan's economy grow. Here is a list of possible effects that the CPEC could have on Pakistan's economy: The CPEC is expected to make big changes to Pakistan's infrastructure, especially in the transportation, electricity, and communication sectors. In the context of the CPEC, the construction of new roadways, freeways, railroads, and harbors could improve communication both within Pakistan and with other countries, which in turn could improve possibilities for commerce and investment. A better infrastructure for telecommunications could also make it easier to get information and connect digitally, which would be good for both individuals and businesses. The CPEC could increase the amount of foreign investment in Pakistan, especially from China, by a



large amount. New energy and infrastructure projects could give investors new ways to put their money to work in different parts of the economy. It's possible that this will make Pakistan's economy more competitive, which will help its progress and growth (Jabri 2017).

It is anticipated that the development of CPEC's infrastructure and energy projects will result in the establishment of thousands of new employment opportunities in Pakistan, specifically in the construction and administration of the projects. The creation of new jobs has the potential to raise the general standard of living for the population while also contributing to the expansion of the economy. Energy projects like coal-fired power plants, hydroelectric projects, and wind farms that are part of CPEC have the potential to make Pakistan's energy security much better. If the energy supply is more reliable, there may be fewer power outages, and businesses will be more competitive. Both of these things could help the economy grow (Ellis 2021).

The building of new infrastructure as part of CPEC could make Pakistan's trade opportunities with China and other countries in the region much better. Increased connectivity has the potential to improve how well businesses work and lower the costs of doing business. Both of these things would be good for businesses and could help the economy grow. On the other hand, there are some worries regarding the effect that CPEC will have on the currency of Pakistan. One of the biggest worries is that most of the money for the projects comes from the Chinese government. Concerns have been raised about Pakistan getting stuck in a debt spiral, which could hurt the country's economy in the long run. Concerns have also been raised about how the projects will affect the environment, especially those that involve building coal-fired power plants, which could hurt the quality of the air and water (Hashimova 2020).

The field of study known as geopolitics examines the ways in which geographical factors can impact the balance of power in international relations. When we apply geopolitical theories to evaluate the significance of Gwadar port, it becomes clear that the entire region in which Balochistan and, by extension, Gwadar port are located is of the utmost importance from a geopolitical standpoint. Gwadar Port holds a tremendous amount of geostrategic and geopolitical significance due to its location, geography, the alliance between Pakistan and China, and the nexus between the United States and India in the region. Not only does the port contribute significantly to the local economy, but it is also an essential component of the nation's defence and safety infrastructure. Since the events of September 11, 2001, the South Asian region has served as a focal point for international relations. This has brought increased attention to the significance of this port in maintaining peace, economic growth, and stability in the region. Furthermore, it is located in the centre of global oil sea trade, and because it is a deep-sea port, it offers significant commercial and economic benefits to all parties involved, particularly to those nations that rely significantly on oil and energy commerce (Shah 2017).

Interdependence is a more modern phrase that has replaced the economic idea of reliance that was prevalent in colonial times. It is necessary for sovereign governments to promote economic participation in order to achieve genuine economic growth. Smaller countries may speed up their economic development by developing an interdependent relationship with a fairly developed and powerful nation. The economic interdependence of nations helps to foster integration and trade promotion, in addition to a plethora of other activities, such as the flow of investment capital, the transfer of knowledge, the construction of new economic infrastructure, and the creation of new employment opportunities and industries. This idea has to be taken into consideration while planning the expansion of Gwadar Port and the CPEC (Khan and Khalid 2016). Establishing economic interdependence between Pakistan and China is made easier by the fact that both countries are close strategic allies with one another. Both China and Pakistan are close to each other geographically. This, along with the chance to improve their less-developed areas, lets them form economic ties that help both countries.

Map 3. Shortest Route between Gwadar and Western China.



(N. A. Khan 2018).

Since China and Pakistan are considered to be the most reliable friends, it is in China's best interests for China to take an interest in the economic development of Pakistan. China is of the opinion that Pakistan can only achieve stability after achieving economic progress. Additionally, this would help in the fight against separatism as well as terrorism in western China. As was said earlier, energy security and the reduction of geographical distance are two significant elements that captured the attention of the Chinese leadership in order to negotiate a variety of commercial agreements with Pakistan and establish the CPEC. China is aware of the potential economic advantages that might result from the completion of these projects for both China and Pakistan. On the other side, this would set China against India and the United States, since both countries would be hostile to Chinese participation in the Indian Ocean. The United States and India both have a stake in the region. In addition, the engagement that China has with Pakistan serves as a counterweight to the pressure that is being applied by India and the United States. At the same time, Pakistan has a personal interest in seeking a stronger economic connection with China in order to assuage regional worries. This is because China is now Pakistan's largest trading partner. As a consequence of this, the CPEC and the Gwadar Port might potentially give enormous economic and strategic advantages to both China and Pakistan (Khokhar 2021).

In terms of both maritime commerce and national defence, Pakistan's Gwadar Port might prove to be a turning point for the country. According to the statistics provided by the government, around 38 million metric tonnes of cargo are carried across Pakistan's maritime territory on a yearly basis by 36,000 commercial boats and ships. Because the government has to place a greater emphasis on the maritime strategic plan in order to fully utilise the resources, the coastline and surrounding region offer the nation immense advantages, both strategically and economically. If maritime activities in Pakistan's coastal regions were to expand, the country's annual commercial output might reach 91 million metric tonnes (Malik 2012). The CPEC confers strategic benefits on Pakistan by enhancing the country's connection with China and enhancing Pakistan's geopolitical significance as a link between Asia, Europe, and Africa. Additionally, the economic advantages will include improved employment opportunities, the settlement of the energy issue, and improved agricultural practises that lead to higher production. Greater production from SEZ in connection with CPEC, higher trade, and increased transit fees will all contribute to the generation of national money as a result of this initiative. The CPEC offers Pakistan the opportunity for economic growth, and as was said before, Pakistan will become an economic centre not just for the region but also for the economic and security interests of both the United States and China.

The CPEC has the potential to play a greater role and become a blessing for the country's economic development at a time when Foreign Direct Investment (FDI) has significantly decreased as a result of Pakistan's deteriorating security situation. The resuscitation of Pakistan's economy would be greatly aided by the construction of this economic corridor, which is of critical significance strategically. The expansion of commercial channels and industries over the whole of the corridor



would bring prosperity as well as social improvement to the communities immediately next to and around the corridor. On the front of national security, both the Gwadar Port and the CPEC would be of enormous assistance to Pakistan in its struggle against the dominance of Indian naval forces in the region. To oppose the influence of China and Pakistan in the Indian Ocean, the Indian Navy has increased its capacity for surveillance and security in that region. Since their independence in 1947, these two countries have been at odds for most of their histories, and it is certain that a fully working Gwadar Port would be to Pakistan's advantage (Begum 2021).

It is widely believed that the CPEC would have a significant impact on both Pakistan's economy and its position in the international political arena. If this economic corridor is successful, Pakistan stands to gain significantly in the areas of energy and agricultural production, as well as employment in the local economy and in the areas of developmental infrastructure. It is anticipated that Pakistan's status both in the region and on the world stage would greatly improve with the successful completion of the CPEC. The formation of the present strong partnership between China and Pakistan is anticipated to transform the geopolitics of South Asia, which has caused India to experience increased levels of anxiety. When Pakistan's less friendly neighbours consider the possibility of Gwadar Port being converted into a permanent Chinese naval station, it gives them the creeps. Investments in infrastructure made as part of the CPEC will have an impact on Pakistan's overall economic development. CPEC is also essential for Pakistan's recovery from the economic doldrums it is now experiencing. The projects, totaling \$46 billion, provide Pakistan with a once-in-a-generation opportunity to solve some of the nation's most severe economic concerns, such as the energy crisis, inadequate communication infrastructure, and a dearth of investment from outside sources. The tremendous potential that CPEC has to contribute to economic expansion in our nation is generally recognised across all aspects of society (N. A. Khan 2018).

On the other hand, some people see the CPEC as more than an endeavour to enhance bilateral relations, and they accuse China of exploiting Pakistan to achieve its regional dominance goals by using the country as a stepping stone. When describing the goals of the project, Louis Ritzinger sees three aspects as motivational causes for China's investment in Pakistan: offering economic assistance to its seasoned partner, encouraging commerce, and developing networks to the west in order to spread its influence. All of these aspects are related to the project's objectives. Since the Persian Gulf and this route account for around 60 percent of China's oil imports, China is in a position to monitor the Sea Lines of Communication (SLOC) that travel via Gwadar Port (Hussain 2020). China is able to monitor the activities of the United States Navy in the area concurrently. Despite this, China has expressed its opposition to any plans for military expansion. However, many analysts are sceptical of China's capacity to field a naval force that can compete with that of the United States, which makes it unlikely that China would expand its military at this time.

Map 4. Planned Maritime Silk Road and Silk Road Economic Belt.



(Hadim, 2019).



The CPEC is an initiative that is one of a kind and of the utmost significance to both China and Pakistan. One of the most impressive examples of the close connections between Pakistan and China is the CPEC. This programme presents Pakistan with an excellent opportunity to revitalise its economy, and it should not be passed up. The government and people of Pakistan are both hopeful that the CPEC will be beneficial to their country's economy and society. The building of infrastructure projects, including roads, highways, trains, and transnational fibre optics, will lead to the creation of new employment opportunities and investment opportunities. Special Economic Zones and infrastructure developments under the CPEC will not only generate employment but also contribute to Pakistan's national economy. Toll charges, increased exports, and other positive effects have been seen on Pakistan's economy. When all of the energy projects are completed and running, Pakistan's current energy crisis will be solved. The advancements that have taken place in the energy sector have been beneficial to Pakistan's economy. It provides the most employment opportunities for Pakistani nationals. It is believed that Pakistan's capacity to access electricity would have a beneficial impact on the nation's efforts to industrialise. If there is enough access to electricity and other forms of energy, the economy will expand. The port of Gwadar is critical to the economic development and expansion of Pakistan (Rana 2022). The port of Gwadar has the potential to both encourage local and international investment as well as generate job opportunities. In addition, it is projected that the CPEC will have a positive impact on Pakistan's society of Pakistan. The creation of jobs, the expansion of business possibilities, and the growth of exports will each contribute to a reduction in unemployment and an expansion of business prospects. These benefits come on top of the reduction of poverty and the improvement of living standards already brought about by these factors. This is the defining characteristic of a social influence that contributes to positive outcomes. Despite the deep links that exist between the two countries, China and Pakistan have quite different cultures, norms, and ways of life. Student exchange programmes and increased tourism are two of the ways that the CPEC, which is one of the greatest projects now under construction, will help the two countries engage with one another and better understand one another. Pakistan's and China's social networking will strengthen their bilateral ties.


4. CONCLUSION

In the end, the development of CPEC could have a big impact on Pakistan's economy by creating new jobs, bringing in more investment, improving infrastructure, making energy more secure, and opening up more trade opportunities. But questions about how to pay for the projects and how they will affect the environment need to be answered in a good way to make sure that the benefits of the project are realized and that it doesn't hurt Pakistan's economy or environment in the long run. The efficiency of commerce and transportation expansion would be ensured by the CPEC, which would in turn stimulate economic growth. The increase in the number of available transport infrastructures boosts the items' potential for mobility. So it's possible that this will come to pass. The construction of the CPEC will make travel more streamlined and effective, which will result in cost and time savings. China, which is the largest consumer of petroleum in the world, needs a safe route for the transfer of energy and would seek refuge via the CPEC and the Gwadar port. The geo-economic and geo-political importance of China and Pakistan's relationship is important to China's ascension from regional to global dominance. Pakistan is China's largest trading partner in South Asia. Particularly with regard to the CPEC, the United States and China have competing interests. In addition, neither the United States nor India support China and Pakistan's long-term use of shared trade routes, especially those that pass across the Indian Ocean. It is particularly concerning that the United States is losing its influence in Pakistan since this has an effect on the country's capacity to manage the surrounding region, which includes Iran and Russia. Concurrently, the Chinese provide evidence that they are upsetting the established order in South Asian countries. Not only have they made a contribution to the strategic alliance between Pakistan and Russia, but they have also made other contributions. In addition to that, they are working on developing economic routes that connect Afghanistan, Pakistan, and India with one another. It is possible that the open trade channels would be beneficial to the area as a whole and India in particular. If the Chinese are successful in

establishing a mini-breakthrough in the age-old rifts between their South Asian neighbours, it will quickly raise their international significance. For this reason, the success of the CPEC is crucial to China, independent of the expansion of the Chinese economy. Nonetheless, it is imperative that the government of Pakistan places greater emphasis on the CPEC implementation process. In order for the CPEC to be successfully implemented, Pakistan must also eliminate any potential roadblocks. In particular, in order to reap the economic and social advantages of CPEC, Pakistan has to guide the whole country toward success via CPEC. Only then can it hope to reap those benefits.

REFERENCES

- [1] Abbas, A., & Ali, S. (2017). *Nine Proposed priority SEZs Under CPEC & SEZ; An Approach to Industrial Development*. Centre of Excellence CPEC, 1-21.
- [2] Afridi, M. K., & Khalid, I. (2016). *The Politics of Interdependence: A Case of China-Pakistan Economic Corridor*. *South Asian Studies*, 659-671.
- [3] Ahmad, I. (2021). *Pakistan Economic Survey 2020-21*. Islamabad: Minister for Finance and Revenue. .
- [4] Ahmed, S. u., & Ali, A. (2019). *China Pakistan Economic Corridor and Pakistan's energy security: A meta-analytic review*. *Energy Policy*, 147-154.
- [5] Alam, K. M., & Li, X. (2019). *Impact of Transport Cost and Travel Time on Trade under China-Pakistan Economic Corridor (CPEC)*. *Journal of Advanced Transportation* , 1-16.
- [6] Anwar, S. U., & Wuyi, Z. (2022). *The resilient economic impact of CPEC and future of MNCs: Evidence from Pakistan*. *Frontiers in Environmental Science*.
- [7] Aziz, R., & Ahmad, M. B. (2015). *Pakistan's Power Crisis; The Way Forward*. Washington, DC: UNITED STATES INSTITUTE OF PEACE.
- [8] Begum, A. (2021). *The Relationship Between Foreign Direct Investment (FDI) And Development: A Political Economy Analysis Of China Pakistan Economic Corridor (CPEC)*. *VFAST Transactions on Education and Social Sciences*.
- [9] Cole, J. (2019). *The China-Pakistan Economic Corridor and the Gulf Crisis*. *The Gulf Monograph Series*, 1-23.
- [10] CPEC. (2019, November 5). *CPEC A GATE WAY TO PROSPERITY* .
- [11] Ellis, C. D. (2021, June 30). *Kyrgyzstan And The Belt & Road Initiative: Trans Central Asian Road & Rail Connectivity & Added Value Manufacturing Services*. Retrieved from *Silk Road Briefing*: <https://www.silkroadbriefing.com/news/2021/06/29/kyrgyzstan-and-the-belt-road-initiative-trans-central-asian-road-rail-connectivity-added-value-manufacturing-services/>
- [12] Esteban, M. (2016). *The China-Pakistan Corridor: a transit, economic or development corridor?* *Elcano Royal Institute*, 1-9.
- [13] Hadim, S. (2019). *An Overview of The Belt and Road Initiative*. Retrieved from <https://www.morethanshipping.com/an-overview-of-the-belt-and-road-initiative/>
- [14] Hashimova, U. (2020, June 22). *The China-Kyrgyzstan-Uzbekistan Transport Corridor Stretches Further Into China*. Retrieved from *The Diplomat*: <https://thediplomat.com/2020/06/the-china-kyrgyzstan-uzbekistan-transport-corridor-stretches-further-into-china/>
- [15] Hassan, K. (2020). *CPEC: A win-win for China and Pakistan*. *Human Affairs*, 212-223.
- [16] Husain, I. (2017). *CPEC-and-Pakistani-Economy: An-Appraisal*. Islamabad: Centre of Excellence for CPEC Islamabad.
- [17] Hussain, E., & Rao , M. F. (2020). *China-Pakistan Economic Cooperation: The Case of Special Economic Zones (SEZs)*. *Fudan Journal of the Humanities and Social Sciences*, 453-472.
- [18] Hussain, M. (2017). *CHINA PAKISTAN ECONOMIC CORRIDOR (CPEC): CHALLENGES AND THE WAY FORWARD*. MONTEREY, CALIFORNIA: NAVAL POSTGRADUATE SCHOOL.
- [19] Isaad, H. (2022). *To Build or Not to Build: Keeping Pakistan's Hydropower Reliance in Check*. *Energy Finance Analyst*. Institute for Energy Economics and Financial Analysis.
- [20] Ishak, D., & Nadeem, M. H. (2019). *Hybrid energy sources status of Pakistan: An optimal technical proposal to*. *Energy Strategy Reviews*, 132-153.
- [21] Jabri, P. (2017, December 28). *Maritime trade, pivotal in revolutionizing Pakistan's economy*.
- [22] Javid, Z. (2018, August 31). *How CPEC can help Pakistan's chronic power shortage*. Retrieved from *China Daily*: <http://www.chinadaily.com.cn/a/201808/31/WS5b88e0d5a310add14f388e63.html>
- [23] Khan, M. M., & Malik, A. R. (2016). *China-Pakistan Economic Corridor A Game Changer*. *The Institute of Strategic Studies Islamabad*.
- [24] Khan, M. Z., & Khan, M. M. (2019). *China-Pakistan Economic Corridor: Opportunities and Challenges*. *Strategic Studies*, 67-82.

- 
- [25] Khan, M., & Khalid, I. (2016). *The Politics of Interdependence: A Case of China- Pakistan Economic Corridor*. *South Asian Studies*, 659-671.
- [26] Khan, N. A. (2018). *Geo-Political Significance of Gwadar Port: Challenges and Prospects*. *Journal of Security and Strategic Analyses* , 86-107.
- [27] Khokhar, M. K. (2021). *Geo-Political and Geo-Economic Significance of CPEC for Pakistan (2013-2020)*. Lahore: University of the Punjab.
- [28] Khursheed, A., & Haider, S. K. (2019). *China - Pakistan economic corridor: a harbinger of economic prosperity and regional peace*. *Asian Journal of German and European Studies*, 1-15.
- [29] Liepach, W. E. (2017, February 7). *National Transport Policy and Master Plan*. Retrieved from Ministry of Planning Development & Special Initiatives: https://www.pc.gov.pk/web/press/get_press/54
- [30] Malik, M. Z., & Baloch, M. H. (2021). *Power Supply to Local Communities Through Wind Energy Integration: An Opportunity Through China-Pakistan Economic Corridor (CPEC)*. *IEEE Xplore*. Retrieved from <https://ieeexplore.ieee.org/document/9417226>
- [31] Malik, Y. (2012). *Strategic Importance of Gwadar Port*. *Journal of Political Studies*, 57-69.
- [32] Prasso, S. (2020). *One of China's Most Ambitious Projects Becomes a Corridor to Nowhere*. *Bloomberg Originals*.
- [33] Rana, A. (2022). *CPEC: An Assessment of Its Socio-economic Impact on Pakistan*. *E-International Relations*, 1-9.
- [34] Rana, A. (2022). *CPEC: An Assessment of Its Socio-economic Impact on Pakistan*. *E-International Relations*.
- [35] Rauf, M. (2019). *Will Chinese Investment Boost Pakistan's Economic Growth?* Central European University.
- [36] Rehman, A. U., & Hakim, A. (2018). *Role of CPEC in Development of Trade, Transport and Economy of Pakistan*. *Romanian Journal of Transport Infrastructure*, 72-92.
- [37] Shah, A. Z. (2017). *Geopolitical Significance of Balochistan*. *Strategic Studies*, 126-144.
- [38] Zhukov, E. (2022). *Economic Corridor Development in Pakistan-Concept, Framework and Case Studies*. *Metro Manila: Asian Development Bank*.