



Challenges to Pakistan China Economic Corridor: A Way Forward

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ABSTRACT

The China-Pakistan Economic Corridor (CPEC), a central venture of China's Belt and Road Initiative (BRI), seeks to strengthen regional infrastructure links, boost economic growth, and deepen collaborative ties between the two nations. This strategic partnership underscores efforts to advance shared development goals and foster long-term prosperity across the region. Despite its strategic significance and potential to transform the region's economic landscape, CPEC faces numerous challenges that could hinder its successful implementation. These challenges include internal and external security threats, Political instability and Controversies about CPEC, Indian reservation about CPEC, Corruption, and governance issues. Additionally, the project has faced the problems like Rising Debt and Economic Reliance on China, Balance of Payments Crisis, Concentration of Projects in Punjab and Sindh, Public Opinion on CPEC. The sustained progress of CPEC hinges on coordinated efforts and integrated strategies involving diverse stakeholders. This includes strengthening security measures, improving governance and transparency and fostering inclusive economic growth. Engaging local communities, ensuring equitable benefits, and enhancing regional cooperation will also be critical. By addressing these challenges and adopting a forward-looking strategy, CPEC can unlock its full potential as a catalyst for regional development and prosperity. This paper explores the key challenges facing CPEC and proposes a way forward to ensure its sustainable and inclusive implementation.

INTRODUCTION

The 21st century has brought about a rapidly changing global and regional strategic environment, fostering new geo-economic and geo-strategic partnerships between nations. As countries recognize that safeguarding national interests in isolation has become increasingly challenging, they have modified their approaches to emphasize cross-border collaboration. Diplomatic engagements, high-level negotiations, and collaborative agreements across various sectors, such as defense, trade, infrastructure, and economic development, have emerged as essential tools in forming global partnerships. China, once seen as a more reserved player on the world stage, has transformed into a dominant global force. As the most populous nation and one of the world's fastest-growing economies, China has shifted towards multilateral diplomacy, departing from its earlier reluctance to engage in international frameworks. This shift is largely driven by China's growing energy demands and its expanding economic aspirations.

The evolution of China's foreign policy was particularly evident under President Hu Jintao's leadership, which began in 2003. His "Good Neighbor Policy" focused on fostering peaceful development through interdependence rather than competition. Under this framework, China has actively worked to turn its neighboring regions into economic hubs and trade centers. For Pakistan, enhancing regional connectivity has been a cornerstone of its foreign policy. Pakistan has long prioritized strengthening relations with its neighboring countries, especially China, which has become a key strategic partner. Since the establishment of diplomatic ties in 1951, the Pakistan-China relationship has grown significantly, playing a crucial role in Pakistan's economic development, defense, and regional security. Pakistan has played a key role in helping China connect and engage with Western countries. A landmark moment occurred in 1970, when Pakistan's diplomatic efforts were crucial in setting up U.S. President Richard Nixon's groundbreaking 1972 trip to China, a moment that reshaped the course of global relationships.

In recent years, the partnership between China and Pakistan has been further solidified with initiatives such as the China-Pakistan Economic Corridor (CPEC). This project seeks to establish a direct trade route between Kashgar in China and Gwadar in Pakistan, reviving the ancient Silk Road and positioning Pakistan as a vital strategic hub in the region. Beyond the economic advantages, CPEC holds significant geopolitical value. The development of Gwadar Port offers China greater naval access, enhancing its influence in the Indian Ocean and counterbalancing U.S. alliances in the Asia-Pacific region.

International analysts have noted the growing importance of this partnership, with some suggesting that China's deepening ties with Pakistan are part of a broader strategy to expand its global influence in response to increasing U.S. engagement in the Asia-Pacific. This highlights the geopolitical significance of CPEC, not only as an economic project but as a key factor in regional power dynamics.

LITERATURE REVIEW

Azmat Naz highlights the deep-rooted and time-tested strategic partnership between Pakistan and China, describing their relationship as one built on enduring friendship. Over the years, both nations have actively sought to strengthen this bond through various political, strategic, and economic collaborations. Among the defining initiatives of their strategic alliance, the China-Pakistan Economic Corridor (CPEC) emerges as a transformative endeavor that embodies the deepening economic integration between both countries. CPEC is considered a crucial extension of China's 21st Century Silk Road initiative and lies at the heart of the bilateral relationship. This large-scale infrastructure venture includes the development of highways and railway networks stretching from Gwadar in Balochistan to Kashgar in China's Xinjiang region. The route winds through some of Pakistan's most important regions – Balochistan, Sindh, Punjab, Khyber Pakhtunkhwa, and Gilgit-Baltistan – linking up areas that are critical for their strategic location.

The corridor is expected to link Pakistan not only with China but also with Central Asian nations, serving as a pivotal trade route. CPEC holds great promise for fostering economic stability and regional growth, while also allowing China to expand its political and economic influence across Asia, serving as a counterbalance to Western powers. By investing heavily in this corridor, China is pursuing a mix of strategic and economic objectives. Through Pakistan, CPEC could become a crucial trade conduit connecting China with the Middle East and Europe. The study uses both empirical and inductive research methods to assess the broader impact of CPEC on regional development and evaluates its potential to reshape Pakistan's economic standing on a regional and global level.

In their article, Muhammad Irfan, Zhen-Yu Zhao, Munir Ahmad, and Marie Claire Mukeshimana explore Pakistan's growing energy needs, primarily met through fossil fuels. Given the country's expanding population and industrial base, traditional energy sources are proving insufficient, costly, and environmentally damaging – particularly in rural and remote regions. The authors focus on identifying viable renewable energy alternatives, using data on solar radiation and wind speeds collected over a year from four major Pakistani cities. Their findings indicate that solar energy emerges as the most promising option in terms of cost, sustainability, and ease of maintenance. Through interviews with professionals in the energy sector, the paper pinpoints key barriers hindering solar energy adoption and concludes with strategic policy recommendations to help institutions and the government scale up renewable energy initiatives effectively.

Muhammad Zahidullah Khan and Minhas Majeed Khan explore the deeper strategic importance of the China-Pakistan Economic Corridor, tying it to China's broader Belt and Road Initiative. Their research emphasizes CPEC's role in enhancing regional connectivity, especially the significance of Gwadar Port, which offers China the shortest land route to the Middle East, Central Asia, and beyond. The authors discuss how CPEC could reduce transportation distances for Chinese oil imports, positioning China as a major player in global trade routes. They also touch on critical concerns such as the growing trade imbalance

between Pakistan and China, suggesting that CPEC has the potential to stimulate bilateral trade. The paper also reviews the challenges, including security threats and political concerns, and reflects on how Pakistan can effectively manage these issues to fully capitalize on the opportunities CPEC presents.

Shahid Khalil focuses on the environmentally sensitive region of Gilgit-Baltistan, where the impacts of CPEC are particularly significant. Historically underdeveloped, the region gained some connectivity through the Karakoram Highway in the 1970s. With CPEC's advancement, it now faces both opportunities and risks. Given the region's fragile ecosystem and status as home to some of the world's largest non-polar glaciers, projects such as coal power plants, increased road infrastructure, and population inflows could exacerbate environmental degradation. Rising CO₂ emissions, glacier melt due to global warming, and increased resource consumption pose serious challenges. Unfortunately, environmental safeguards like Environmental Impact Assessments (EIA) have often been overlooked in CPEC's execution. Khalil proposes several policy measures aimed at mitigating these ecological threats while ensuring that the socio-economic benefits of CPEC are not lost in the process.

Hasan Askari Rizvi's scholarly work delves into CPEC's profound capacity to catalyze sweeping economic and infrastructural changes across Pakistan and China's western regions. He sees the project as the natural outcome of six decades of steady economic collaboration between the two countries. Rizvi explains that CPEC encompasses a wide range of initiatives—from roads and industrial zones to energy projects—that collectively aim to promote socio-economic progress. The paper outlines how CPEC aligns with broader regional and global strategies, such as the revival of the ancient Silk Road through modern transport and energy infrastructure. At its core, the CPEC isn't just a pathway for trade—it's a way to bring countries in the region closer together and ease political tensions. Rizvi examines the initiative through international relations theories, emphasizing the growing importance of soft power and economic connectivity over traditional military strength. He concludes that successful execution of CPEC could enhance regional harmony, stabilize internal conditions in Pakistan, and elevate the country's standing in global affairs.

METHODOLOGY

Research Methodology.

This study adopts a qualitative research design, relying solely on secondary data to analyze the challenges of CPEC. Data is collected from academic articles, government reports, policy papers, and credible news sources to ensure a comprehensive understanding. A thematic analysis approach is used to identify key patterns related to economic, political, and security issues. Cross-verification of multiple sources enhances reliability and minimizes bias. Ethical considerations are maintained by properly citing all sources and ensuring academic integrity.

One belt one Road project

The "One Belt, One Road" (OBOR) initiative is an ambitious project aimed at reviving the ancient Silk Road while enhancing global economic connectivity. Launched by Chinese President Xi Jinping in 2013, OBOR seeks to create vast

networks for trade and infrastructure across continents, with two main components: the Silk Road Economic Belt (SREB) and the Maritime Silk Road (MSR). These projects span from the Baltic Sea to the Pacific Ocean, involving the development of highways, railways, and maritime routes, thus promoting economic cooperation among participating countries.

With an investment estimated at over \$21 trillion, OBOR is set to reshape global trade, impacting around 65 countries that collectively account for more than 80% of the world's population. This project could spark a major wave of economic growth, rippling through Asia, Europe, and even further afield. The MSR, for instance, begins in China's Guangxi Zhuang Autonomous Region and travels through strategic sea routes, while the SREB focuses on overland trade corridors, such as those connecting China to Russia, Central Asia, and beyond.

For Pakistan, a close ally in the OBOR project, the China-Pakistan Economic Corridor (CPEC) shines as a crucial connection, strengthening ties across the region and fueling economic progress. The proverb "If you want to be rich, you must first build roads" encapsulates the core idea of OBOR – developing infrastructure not just for trade but for long-term prosperity. Funding for these projects comes from various financial bodies, including the Asian Infrastructure Investment Bank (AIIB), the BRICS New Development Bank, and the Silk Road Fund, alongside contributions from regional organizations.



Figure 1. OBOR – Developing Infrastructure

What is CPEC?

The China-Pakistan Economic Corridor (CPEC) is crucial for fostering sustainable Development in Pakistan, with a notable impact on the tourism industry. As Infrastructure improvements are made, they enhance the local community's view of the economic benefits that tourism can bring, potentially leading to greater Investment and growth in this sector. Enhanced road networks and transportation systems Provide easier access to tourist destinations, fostering

economic growth and improving living Standards in surrounding areas. This initiative is expected to transform Pakistan's northern regions, particularly Khyber Pakhtunkhwa and Gilgit-Baltistan, into major tourism hubs. These areas, known for their Breathtaking landscapes, including scenic resorts, lakes, and glaciers, stand to benefit greatly from better connectivity. Research suggests that upgrading transportation infrastructure is essential for Expanding the tourism industry and attracting more visitors.

CPEC's broader economic and social benefits include:

- Strengthening Pakistan's economy through increased trade and investment.
- Generating employment opportunities across various sectors.
- Improving the overall standard of living for local communities.
- Developing an efficient road and railway network for seamless transportation.
- Boosting exports and imports by facilitating trade routes.
- Addressing energy shortages through power projects.
- Enhancing security and stability, ensuring better protection of life and property.

While CPEC presents numerous opportunities for economic progress, it also comes with Challenges that require careful management. A well-rounded approach, integrating economic, Social, and environmental considerations, is crucial for sustainable development. Effective Collaboration among policymakers, local communities, and investors is necessary to ensure that the project delivers long-term benefits while mitigating any potential risks.

Major Components of CPEC

The China-Pakistan Economic Corridor (CPEC) is a massive, multi-billion-dollar Initiative focused on enhancing infrastructure and energy production. The first phase of the project prioritizes the development of energy and infrastructure, which are Vital to supporting future commercial activities. A large part of the investment is Being allocated to power generation to meet Pakistan's increasing electricity Demand. The two countries have partnered on various energy projects, including Solar, wind, thermal, and hydropower, with the goal of generating around 16,520 Megawatts (MW) of electricity. These projects are estimated to cost approximately \$33 billion, with key initiatives expected to add about 10,400 MW to the national Grid within the next three years.

Given Pakistan's persistent energy deficit, providing A stable and reliable power supply is essential for the success of CPEC. Among the different renewable energy sources, solar power is often considered the most viable Solution for Pakistan's energy crisis. It is cost-effective, requires minimal maintenance, and is Available throughout the year. Therefore, investment in solar energy could be a game-changer for Addressing the country's power shortages in a relatively short time.

Road and Railway Network

Another essential component of CPEC is the modernization and expansion of Pakistan's road and Railway networks. The CPEC project include a significant \$8.17 billion investment to upgrade the 1,872-kilometer-long Main Line-1 (ML-1) railway, which links Karachi, Lahore, and Peshawar.

Construction on various sections of this railway line has already begun, marking an important step toward improving transportation and connectivity across Pakistan.

Development of Gwadar Port

The third key aspect of the China-Pakistan Economic Corridor (CPEC) involves the development of Gwadar as a significant commercial center. The port, which has been leased to China for a 40-year period, is undergoing extensive infrastructure upgrades. These developments are aimed at transforming Gwadar into a bustling hub for trade, with a focus on enhancing connectivity and fostering economic growth for Pakistan.¹⁴ These include constructing a modern container-handling facility, an international airport, and a highway network. The ultimate goal is to establish Gwadar as a world-class business center equipped with state-of-the-art infrastructure.

Special Economic Zones (SEZs)

A key component of the China-Pakistan Economic Corridor (CPEC) is the creation of Special Economic Zones (SEZs) designed to draw foreign investment, especially from Chinese companies. These zones aim to support the transfer of industries from China to Pakistan, enhancing export capabilities to global markets, including Europe. Furthermore, the establishment of commercial centers around Gwadar is intended to drive economic progress and generate job opportunities.

CPEC Project Phases

CPEC initiatives are divided into four distinct phases: Phase One (Completed in 2017 – Early Harvest Projects)

- This phase concentrated on addressing urgent energy and infrastructure needs. It involved building a comprehensive road network to link Pakistan's provinces and prioritizing power generation to tackle immediate energy deficits.
- Phase Two (Targeted Completion by 2020)
 - This stage included the development of a cross-border optical fiber network connecting Pakistan and China. It also expanded renewable energy initiatives, such as hydropower, coal, wind, solar, and nuclear projects. Additional efforts focused on constructing critical infrastructure, including the new Islamabad airport, the Eastbay Expressway, hospitals, technical training institutes, and export-processing zones.
- Phase Three (Scheduled Completion by 2025)
 - The third phase emphasizes modernizing Pakistan's railway system. A major focus is upgrading the Karachi-Peshawar railway, which handles approximately 70% of the country's rail traffic. This phase also includes expanding rail connections to enhance links between key urban centers.
- Phase Four (Projected Completion by 2030)
 - The final phase involves building a 682-kilometer railway from Havelian, Pakistan, to Kashgar, China, through the Khunjerab Pass, with an estimated cost of \$12 billion. This rail link will provide direct access for China and East Asian markets to the ports of Gwadar and Karachi.

Significance of SEZs

A vital element of the China-Pakistan Economic Corridor (CPEC) is the establishment of Special Economic Zones (SEZs) to drive economic growth and

create opportunities. These zones are designed to offer investors advanced infrastructure, reliable electricity, and streamlined public services. Additionally, they provide business-friendly regulations, including tax benefits and simplified administrative processes, making them appealing to both domestic and foreign enterprises.

By combining energy development, transportation networks, industrial expansion, and trade enhancement, CPEC aims to transform Pakistan's economic framework, promoting sustainable development and strengthening regional ties.

Special Economic Zones (SEZs) in CPEC

SEZs are a cornerstone of CPEC, intended to foster industrial progress and reshape Pakistan's economy. These zones seek to attract investment, particularly from Chinese firms, to set up manufacturing facilities, thereby broadening Pakistan's industrial foundation and generating new jobs and economic prospects. Key industries targeted for these zones include automotive production, home appliances, solar energy, and defense manufacturing. The objectives are to boost Pakistan's production capacity, enhance its export capabilities, and decrease reliance on imported goods by bolstering local industries. During the 8th Joint Coordination Committee (JCC) meeting in Beijing, Pakistan and China agreed to prioritize the development of nine SEZs across the country. These include:

- Rashakai SEZ (Khyber Pakhtunkhwa) - Located in Nowshera and covering 1,000 acres, this zone is expected to spur industrial growth in the region.
- Dhabeji SEZ (Sindh) - Spanning 1,000 acres near Karachi, it aims to attract export-focused industries and elevate Sindh's manufacturing sector.
- Bostan SEZ (Balochistan) - Also 1,000 acres, this zone is designed to promote economic activity in Balochistan through diverse industrial investments.
- Allama Iqbal Industrial City (Punjab) - Situated in Faisalabad across 3,000 acres, this SEZ is poised to become a major center for production and exports.
- Islamabad Capital Territory (ICT) SEZ - Ranging from 200 to 500 acres, this zone will encourage industrial development in the federal capital area.
- Industrial Park at Port Qasim (Sindh) - Planned on 1,500 acres owned by Pakistan Steel Mills, this zone will support heavy industries near a key port.
- Mirpur SEZ (Azad Jammu and Kashmir) - Covering 1,078 acres, it aims to integrate AJK into Pakistan's broader industrial landscape.
- Mohmand Marble City (former FATA) - While its size and precise location are yet to be confirmed, this zone will specialize in marble and mineral processing.
- Moqpondass SEZ (Gilgit-Baltistan) - Strategically located, this zone will leverage local resources to support industries and improve trade links with neighboring markets.

Each SEZ will focus on industries tailored to local resources, workforce availability, and raw materials. This targeted approach will enable economies of scale, enhancing production efficiency, lowering costs, and improving the global competitiveness of Pakistani goods. By strengthening domestic industries, these zones will help reduce imports, boost GDP, create jobs, and attract foreign investment, contributing to sustained economic progress.

RESULTS AND DISCUSSION

Internal Security Threats and Challenges to CPEC

Pakistan's internal security landscape presents serious obstacles to the effective execution of the China-Pakistan Economic Corridor (CPEC). Persistent issues such as terrorism, religious extremism, and sectarian violence have deeply affected the country's social fabric and political stability – factors crucial for the success of any large-scale development project. Since the post-9/11 era, militant activities have surged, with groups like Tehrik-e-Taliban Pakistan (TTP) launching deadly attacks across the country. A tragic example was the suicide bombing at a Quetta railway station, which claimed the lives of at least 26 people and left many injured.

Balochistan, though rich in natural resources, remains underdeveloped and at the heart of the insurgency. Separatist groups like the Balochistan Liberation Army (BLA) have intensified their attacks in recent years, specifically targeting infrastructure linked to CPEC and the Chinese personnel working on the project. Incidents such as train hijackings and coordinated assaults on security forces highlight the volatile environment in the region. Much of the unrest stems from local concerns about economic exclusion and fears of demographic changes due to the influx of labor and investment, which many locals feel may sideline their communities.

Political instability has also played a role in weakening national unity around CPEC. Disagreements over the corridor's routing and the perceived unequal distribution of benefits have created rifts between provinces. Nationalist voices from Khyber Pakhtunkhwa and Sindh, for instance, have raised alarms that their regions might not benefit as much as others, particularly Punjab. These internal tensions are further compounded by regional competition, including strategic projects like Iran's Chabahar Port, which could rival Gwadar in terms of trade and influence.

To address these challenges, the Pakistani government has taken several steps, such as deploying specialized security forces and creating protection units dedicated to safeguarding Chinese workers and infrastructure. Despite these measures, violence – especially in Balochistan – continues to cast a shadow over CPEC and has at times strained Pakistan's relations with China.

Tackling these internal threats requires a multi-pronged strategy: improving law enforcement and counter-terrorism capabilities, fostering inter-provincial political dialogue, and ensuring that economic development is inclusive and transparent. Only through such comprehensive efforts can Pakistan create a secure environment for CPEC and lay the groundwork for long-term national growth and regional stability.

External Security Threats and Challenges to CPEC

The China-Pakistan Economic Corridor (CPEC), a cornerstone of China's Belt and Road Initiative (BRI), faces several external security challenges that threaten its smooth execution and long-term sustainability. These challenges primarily stem from regional and international powers – most notably India, the United States, and Japan – who view CPEC not merely as an economic project, but as a strategic move by China to extend its geopolitical reach across South Asia and the Indian Ocean region.

India's opposition has been especially vocal and consistent, rooted in its objection to CPEC passing through the contested regions of Gilgit-Baltistan and Azad Jammu and Kashmir – territories India claims as its own. Beyond diplomatic protests, Pakistan has accused India of covert efforts to undermine CPEC through support for insurgent elements within the country. The arrest of individuals allegedly linked to India's intelligence agency, RAW, particularly in Balochistan, has fueled suspicions about foreign interference aimed at destabilizing key CPEC zones.

Balochistan itself remains one of the most volatile regions impacting the project's progress. Militant groups, especially the Balochistan Liberation Army (BLA), have carried out targeted attacks on Chinese personnel and CPEC-related infrastructure. These incidents have not only caused loss of life but have also raised serious concerns in Beijing, leading Chinese authorities to press Pakistan for stronger measures to ensure the safety of their nationals working on CPEC projects.

Another layer of complexity comes from Gulf countries, some of which view the development of Gwadar Port as a potential competitor to their own maritime trade hubs. The idea of Gwadar evolving into a major regional port has triggered economic apprehension among these states, adding another dimension to the external pressure surrounding the project. In light of these external threats – ranging from regional rivalries to geopolitical competition – CPEC's success hinges on a collaborative security framework. Both China and Pakistan must continue to strengthen diplomatic, military, and intelligence cooperation to address these risks and safeguard their shared strategic and economic interests.

India's Reservations Regarding CPEC

India has consistently voiced strong opposition to the China-Pakistan Economic Corridor (CPEC) since its early stages. Ahead of Prime Minister Narendra Modi's 2014 visit to Beijing, New Delhi formally raised concerns with China, asserting that the project's route passes through Gilgit-Baltistan, a region it considers part of the disputed territory of Jammu and Kashmir. India views this as a direct infringement on its sovereignty and territorial claims.

Despite India's objections, Chinese leadership has maintained that CPEC is a purely economic venture aimed at regional development and connectivity. Nevertheless, India's position has remained steadfastly critical, interpreting CPEC not just as a challenge to its territorial integrity, but also as a strategic maneuver that enhances China and Pakistan's regional leverage. In response, India has taken diplomatic and strategic steps to counterbalance the project, including its substantial investment – around \$500 million – in Iran's Chabahar Port, which serves as a rival to Pakistan's Gwadar Port.

From India's perspective, CPEC poses multiple security and strategic risks. The development of Gwadar Port, located near the Strait of Hormuz – a vital maritime chokepoint for global oil shipments – gives China a direct strategic foothold in the Indian Ocean. This access is particularly concerning for India, given its heavy reliance on maritime oil imports through this route. Moreover, India fears that the infrastructure being built under CPEC could have dual-use purposes, potentially enabling rapid military mobilization by China or Pakistan in times of conflict.

The deepening defense and nuclear cooperation between China and Pakistan further heightens India's unease. Historically, India's relationships with both neighboring countries have been marred by border conflicts, military confrontations, and ongoing political rivalry. In this context, CPEC is seen not only as a tool for economic development but also as a geopolitical alliance that could marginalize India's influence in the region.

India also remains wary of China's diplomatic positioning on several global issues that affect its national interests. For instance, China's reluctance to support India's bid for membership in the Nuclear Suppliers Group and its opposition to the international designation of Masood Azhar as a terrorist have exacerbated tensions. Beijing's insistence on linking India's entry into global forums with Pakistan's inclusion has further reinforced India's belief that China is deliberately curbing its rise on the world stage. These long-standing geopolitical frictions, compounded by the strategic and economic implications of CPEC, continue to fuel India's strong opposition to the project.

Political Controversies Surrounding CPEC in Pakistan

The China-Pakistan Economic Corridor (CPEC) has sparked considerable political debate within Pakistan, largely centered around concerns of unequal development and perceived favoritism toward certain provinces – particularly Punjab. One of the most contentious issues has been the alignment of CPEC's route from Kashgar in China to Gwadar in Pakistan. Although three primary corridors – western, central, and eastern – have been proposed to connect Pakistan with western China, critics argue that the eastern route has received disproportionate attention and resources, potentially sidelining less developed regions such as Balochistan and Khyber Pakhtunkhwa.

These concerns have led to broader debates about equitable development and national integration. In response, government officials have consistently maintained that CPEC is designed to benefit all provinces. In 2016, then-Minister for Planning and Development Ahsan Iqbal emphasized that infrastructure projects such as the Gwadar-Quetta and Khuzdar-Ratodero highways were part of a broader development strategy aimed at uplifting underdeveloped regions. Gilgit-Baltistan, which serves as the entry point of CPEC into Pakistan, holds strategic importance as a trade corridor linking South Asia with Central Asia and beyond. Balochistan, home to the critical Gwadar Port, has also been positioned as a major beneficiary of the project. Planned investments include a modern international airport, expanded road networks, and other infrastructure upgrades intended to improve inter-provincial connectivity.

To address the controversy over route alignment, the federal government attempted to forge a national consensus. Then-Prime Minister Nawaz Sharif

convened an All-Parties Conference (APC) in May 2015, where it was agreed that priority should be given to developing the western route. Despite this agreement, skepticism persists regarding whether these commitments have been effectively implemented or merely symbolic.

Although the political debate continues, the strategic and economic potential of CPEC remains significant. By offering China a direct land route to the Arabian Sea, Indian Ocean, and Persian Gulf, the project enhances regional trade and energy security. For Pakistan, CPEC presents opportunities for economic growth, job creation, and improved regional connectivity – provided that development is pursued in an inclusive and transparent manner.

Security Concerns

Security remains one of the most critical challenges facing the China-Pakistan Economic Corridor (CPEC). Despite efforts by both Pakistan and China to ensure stability, the project has encountered threats from several militant groups. Militant groups such as the East Turkestan Islamic Movement (ETIM), Tehreek-e-Taliban Pakistan (TTP), Lashkar-e-Jhangvi (LeJ), Daesh (ISIS), Balochistan Liberation Army (BLA), and Balochistan Liberation Front (BLF), along with armed wings of certain political parties, have created a continuous belt of insurgency stretching from China's Xinjiang region to Pakistan's port city of Gwadar.

These groups do not necessarily harbor direct hostility toward China; rather, their opposition targets the CPEC initiative as a symbol of Chinese presence in the region. Beyond Gwadar, security threats persist throughout the corridor due to the presence of militant networks both within and outside Pakistan's borders. Militant and sub-nationalist groups have been actively seeking to sabotage CPEC, allegedly with support from intelligence agencies such as the CIA (USA), Mossad (Israel), and RAW (India). Attacks on Chinese nationals – ranging from kidnappings to assassinations – have continued despite Pakistan's extensive security measures.

Corruption Allegations

Allegations of corruption have also cast a shadow over CPEC. A notable case involved Lt. Gen. Asim Saleem Bajwa, the former head of the CPEC Authority and media adviser to the Prime Minister. Reports emerged in 2020 suggesting that Bajwa had accumulated considerable undisclosed wealth, including offshore properties linked to his family. Although he stepped down from his role as media adviser, he retained his position as CPEC Authority chairman despite public outcry. Chinese officials have expressed concerns, estimating that more than 80% of CPEC-related investments could be lost due to corruption, suggesting a lack of robust financial oversight.

Rising Debt and Economic Dependence

A major economic drawback of CPEC for Pakistan has been the mounting external debt. While Chinese investments have spurred infrastructure growth, the financial terms of these loans – often at high interest rates – have significantly increased Pakistan's debt burden. From 2013 to 2021, Pakistan's external debt increased significantly, rising from \$60.9 billion to \$116.3 billion, with a substantial portion attributed to projects under CPEC. These debts, payable in foreign currency, pose serious risks to Pakistan's already fragile economy.

The World Bank noted that the external debt-to-GDP ratio climbed from 23% in 2013 to 43% by 2021. These developments have raised fears of a potential “debt trap,” similar to the situation faced by Sri Lanka. As Pakistan’s dependency on Chinese financing grows, so do concerns about the country’s economic sovereignty and long-term financial stability.

Balance of Payments Strain

CPEC has significantly impacted Pakistan’s balance of payments. The importation of Chinese machinery and the servicing of loans have widened the current account deficit, which reached \$16 billion—or nearly 4% of GDP—by 2021. These financial obligations have placed added pressure on Pakistan’s foreign exchange reserves, threatening macroeconomic stability and calling into question the long-term sustainability of such a financial model.

Environmental Degradation

Environmental concerns have also emerged as a major issue with CPEC’s energy projects, many of which rely heavily on coal. Despite initial promises to promote clean energy, coal-fired plants like those in Sahiwal and Port Qasim have worsened air quality. The Pakistan Environmental Protection Agency (Pak-EPA) reports that air pollution in Sahiwal has consistently exceeded safe levels, with serious public health implications.

Moreover, coal combustion has led to higher emissions of sulfur dioxide and nitrogen oxides, contributing to acid rain and respiratory issues. A study by the Pakistan Medical Association noted a 22% increase in respiratory diseases in Sahiwal since 2017. Additionally, the dumping of coal ash into local water bodies—particularly in Port Qasim—has harmed aquatic ecosystems and agriculture. In Gwadar, water scarcity has worsened due to CPEC-linked developments, severely affecting local communities and increasing the risk of waterborne diseases.

Social Displacement and Labor Disputes

Large-scale infrastructure projects under CPEC have displaced thousands of people, especially in underdeveloped regions. In Gwadar, for example, fishing communities have been relocated without adequate compensation or livelihood alternatives. According to Human Rights Watch, over 30,000 residents have been displaced since 2015, causing economic hardship and cultural dislocation.

This displacement has sparked protests in Balochistan and Sindh, where residents feel excluded from the benefits of CPEC. While the initiative has created jobs, many of these have been filled by Chinese workers. The Pakistan Economic Survey (2021–2022) reported over 40,000 Chinese workers employed in CPEC projects compared to just 75,000 Pakistanis. Labor conditions have also drawn criticism, with reports of poor wages, unsafe working environments, and lack of labor protections. In 2019, local workers at Gwadar Port went on strike demanding better working conditions.

Regional Disparities

A significant portion of CPEC projects has been concentrated in Punjab and Sindh, leaving provinces like Balochistan and Khyber Pakhtunkhwa underrepresented. The Ministry of Planning, Development, and Reform estimates that over 60% of CPEC investments are allocated to Punjab and Sindh. This uneven distribution has deepened regional inequalities and fueled political

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instability, particularly in Balochistan, where insurgent attacks on CPEC infrastructure are becoming more frequent.

Despite hosting vital infrastructure such as Gwadar Port, Balochistan receives disproportionately little benefit from the initiative. The sense of neglect among local communities has led to further unrest, posing serious challenges to the continuity and security of CPEC projects.

Impact on Local Businesses

The influx of Chinese products and services has marginalized local industries, especially small and medium enterprises (SMEs). The Federation of Pakistan Chambers of Commerce and Industry (FPCCI) reports that many local businesses have been unable to compete with low-cost Chinese imports, leading to closures and job losses. This dynamic threatens the viability of domestic industries and calls for policy measures to protect and empower local businesses in the face of foreign competition.

Public Perception of CPEC

Public sentiment regarding CPEC remains divided. A 2020 Gallup Pakistan survey showed that while 61% of respondents viewed the initiative positively, 23% expressed concerns over China's growing control over Pakistan's assets and strategic sectors. This ambivalence reflects both appreciation for infrastructure development and fear of foreign overreach.

The growing skepticism underscores the need for greater transparency, equitable resource distribution, and environmentally responsible development practices. To fully realize CPEC's potential, Pakistan must address the economic, environmental, and social costs associated with the project. Reforming governance mechanisms, safeguarding labor rights, and ensuring inclusive growth will be essential for transforming CPEC into a genuinely transformative venture for all Pakistanis.

CONCLUSIONS AND RECOMMENDATIONS

Strengthen coordinated security measures through joint intelligence sharing and deployment of specialized forces to secure CPEC infrastructure and personnel.

- Engage in proactive diplomatic efforts with regional and global powers to address their concerns and reinforce the strategic rationale behind CPEC.
- Enhance counter-terrorism cooperation to track and dismantle militant networks targeting Chinese nationals and CPEC projects.
- Promote a balanced distribution of projects by reallocating investments to underrepresented regions such as Balochistan and Khyber Pakhtunkhwa.
- Foster national consensus on CPEC route alignment and benefit-sharing through inclusive, multi-party dialogue.
- Establish independent oversight and rigorous auditing mechanisms to curb corruption and ensure transparency in project financing.
- Renegotiate loan conditions, diversify funding sources, and adopt sustainable financing models to manage the escalating debt burden.
- Implement policies to support local businesses and protect labor rights, reducing reliance on foreign labor and mitigating the impact on domestic industries.

- Transition energy projects from coal-based power generation to renewable sources to mitigate environmental degradation and public health risks.
- Provide fair compensation and rehabilitation programs for communities displaced by CPEC projects to preserve social stability and local livelihoods.
- Increase public transparency and stakeholder engagement to build trust and ensure that CPEC's benefits are equitably shared among all Pakistanis.

While CPEC holds transformative potential for regional economic development and enhanced connectivity between Pakistan and China, its success is contingent upon addressing a range of complex challenges. Internally, political controversies over route alignment and the unequal distribution of projects, coupled with governance issues and rampant corruption, have led to public skepticism and regional disparities that could undermine the project's legitimacy. Externally, CPEC faces significant security threats from militant groups and geopolitical opposition, notably from India and other global powers, which complicate its implementation and strain bilateral relations. Moreover, the financial risks associated with escalating debt and balance of payments pressures, along with environmental and social concerns such as the adverse impacts of coal-based power generation and community displacement, highlight the need for a more sustainable approach. A comprehensive strategy that incorporates robust security measures, transparent governance, equitable resource distribution, and a shift toward renewable energy is imperative. Only through such coordinated efforts can CPEC realize its full potential as a catalyst for inclusive, sustainable growth and stability in the region.

FURTHER STUDY

This research still has limitations so further research is still needed on this topic "Challenges to Pakistan China Economic Corridor: A Way Forward".

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