

# A decade of China-Pakistan Economic Corridor: An explorative study of its role in the economic and political development of Pakistan

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**Abstract:** Pakistan is grappling with significant economic and political challenges stemming from various factors. Positioned at the heart of the Chinese Belt and Road Initiative, Pakistan has been presented with a diverse array of opportunities encompassing trade, investment, energy resource development, Special Economic Zones (SEZs), the expansion of the Gwadar port, integration of its economy with neighboring nations via various connectivity projects, and the generation of employment prospects. Given the contemporary interdependence of economic performance and political stability, the potential for economic stability and the creation of opportunities through the China-Pakistan Economic Corridor (CPEC) is seen as crucial. The project helped Pakistan to attract a huge amount of Foreign Direct Investment (FDI), created hundreds of thousands of jobs, significantly improved infrastructure, established nine SEZs, developed Gwadar port, increased its trade volume with China and controlled energy crisis to a significant level. Political development, stability and peace have also been positively influenced by economic development. This study aims to evaluate the impact of CPEC from both economic and political perspectives, especially as it approaches its 10th anniversary, and assess how it has shaped Pakistan's economic and political landscapes. The forthcoming second phase of CPEC is poised to further bolster Pakistan's economic growth, fortify industrialization through SEZs, and enhance its international trade. Additionally, the project is set to transform Pakistan into a pivotal regional trade corridor through its advanced connectivity initiatives and the development of the Gwadar port.

**Keywords:** China-Pakistan Economic Corridor; economic development; political stability; trade; jobs

## 1. Introduction

The ex-president of China, Hu Jintao, pursued a “good neighbor policy” and recognized the historical importance of the old Silk Road. We know that Pakistan's foreign policy objectives emphasize regional integration and the development of strong ties with the People's Republic of China. Responding to the changing regional and global strategic environment, China and Pakistan sought China-Pakistan Economic Corridor (CPEC) in 2013 with the aim to link Western China and Gwadar port. To materialize the CPEC project, during Xi's visit to Islamabad in 2015, fifty-one Memorandum of Understanding (MoUs) were signed and around 23 of them were related to CPEC and its associated projects (Khan and Yu, 2022). Under the CPEC arrangement, 42 major projects have been started, several of which have already been completed (Rashid et al., 2018). The diverse prospects of the extensive connectivity and friendly policies of both countries towards each other further strengthen their

collaboration and working together. The CPEC initiative has transformed Pakistan into a significant country in the region in terms of regional trade and has also strengthened its relations with China. The project has three phases. The projected completion deadlines for its three phases—short-term, medium-term, and long-term—are 2020, 2025, and 2030 respectively (Hilali, 2019). Collaboration and close bilateral connections between China and Pakistan are distinguishing characteristics of their partnership and have elevated China to Pakistan's top commercial partner status.

From the very outset, Pakistan has attached enormous hopes with CPEC for the improvement of its deteriorating economic condition and much-needed political stability. The year 2023 has marked the completion of a decade of CPEC. Over the course of a decade, the 1st phase of the project has been completed which has significantly boosted Pakistan's efforts to achieve the objectives of sustainable development. Foreign investors saw Pakistan in the years following 2013 through the lens of terrorism and militancy. The view of international investors has altered since the launching of CPEC. The Chinese major investments in different developmental projects in Pakistan have boosted other investors' confidence in the country which has changed the country into a comparatively attractive destination for Foreign Direct Investment (FDI). Road infrastructure is significantly developed in the country and the energy crisis has been controlled to a significant level and hundreds of thousands of new employment opportunities have been created. The positive impacts of these mega projects on the economic and political developments of Pakistan are plain to be seen now. The infrastructure in the country has been modernized and a substantial amount of various economic opportunities have been created. As a result, regional connectivity has improved, and integration of the market and development of the Gwadar port materialized due to CPEC. This corridor has strengthened China and Pakistan's bilateral links, which helped them to develop a strategic partnership. This is not the first time that China has assisted Pakistan; during the past 10 years, China has invested approximately \$30 billion, mostly in infrastructure and energy-related projects. According to data, China will invest a total of 62 billion dollars under CPEC in Pakistan "which is around 20% of Pakistan's annual gross domestic product (GDP)" (Firdous et al., 2021). CPEC now serves as a key element of Pakistan's economic development strategy and is a clear representation of the two countries close bilateral relationship.

The first phase of CPEC, which has been completed, has already aided Pakistan in building a solid energy and transportation network significantly helping the growth of the manufacturing sector, agriculture, and human resources. More than 192,000 local residents were employed during the first phase's execution (Zaafir, 2023). After the full operationalization of CPEC, approximately three billion population in the entire region, including West China, South Asia, the Middle East and Central Asia are anticipated to benefit from it through regional integration, internationalization of Gwadar port and its connectivity with the above-mentioned regions and using for their exports and imports. Scholarly literature has been produced on CPEC from different perspectives mostly covering its connectivity aspects but on the eve of its 10th anniversary, it is necessary to evaluate its prospects for the economic and political stability of Pakistan. This article explores the economic and political benefits of CPEC for Pakistan in the last 10 years.

## **2. Literature review**

The existing literature on CPEC is mostly talking about the general significance of CPEC and its role in regional connectivity. However, there is a scarcity of scholarly material that investigates the role of the China-Pakistan Economic Corridor in the economic and political development of Pakistan. The study of Firdous et al., (2021) examined the significance of infrastructure development in Pakistan as a result of CPEC within the framework of the global economy. Their research focused on the integration of a significant geographical area via the establishment of an integrated infrastructure network to reestablish linkages among the regions of the Middle East, China, Europe and Africa. Hussain et al., (2021) argue that CPEC has upgraded the life standard of the local people in Pakistan which has positive impacts on the stability and security of the country. Alam et al., (2019) investigated the effect of CPEC on trade in terms of transportation time and cost. Similarly, Irshad et al., (2015) studied the economic collaboration between the two countries under CPEC and Chinese investments in the development of infrastructure in Pakistan. Saad et al., (2019) argue that CPEC aims to help economic development and free trade. It explored the perception of Pakistani people through primary data about the benefits of CPEC, confirmed the creation of better job opportunities and improvement in their lives. Moreover, Gwadar port is one of the important components of CPEC. Baloch et al., (2018) studied the impacts of the increased Pak-China economic relations on the economic development of Balochistan which is the least developed region of Pakistan. CPEC has also renewed geo-political and geo-strategic discussions in regional affairs. Saud and Arif (2018) analyzed the prospects of CPEC from geopolitics and geostrategic angles. It argues that CPEC plays an important part in facilitating the development of bilateral ties of Pakistan not only with China but with many other regional countries like Russia. It has provided a potential opportunity to enhance the relationship between Pakistan and Russia, fostering the growth of mutual trust and collaboration. The two governments' alignment of economic and strategic interests has resulted in mutually beneficial areas. Likewise, Mangi et al., (2021) explored the importance of CPEC for strengthening Pak-Iran economic relations. It argues further that economic development can reduce political tension and cause stability.

A range of secondary data is available but a number of important aspects of CPEC, like the potential role of CPEC in the economic and political development of Pakistan have not been sufficiently covered in the literature. This article tries to fill this gap.

## **3. Theoretical framework**

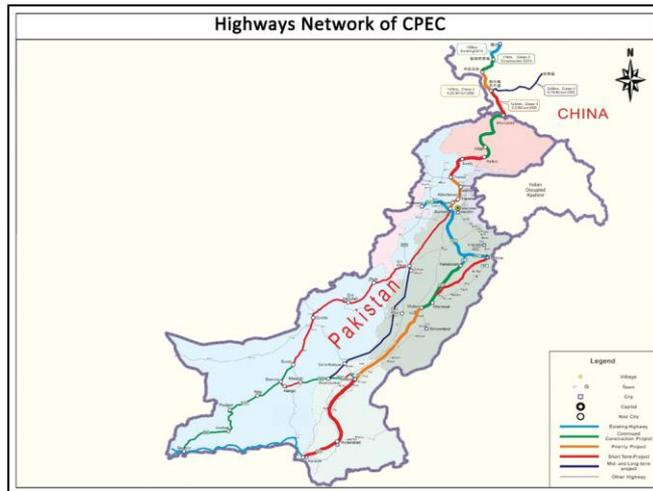
The correlation between initiatives such as CPEC and the economic development of the host country has drawn significant scholarly interest over the years. The application of economic development is complex and diverse as the dependent and independent variables function differently in different countries. The existing theoretical literature demonstrates that foreign investment significantly fosters economic development inside the host nation. In the Neoclassical theory of economic growth, Rostow (1956) and Solow (1956) admit foreign direct investment as a significant determinant of growth in emerging nations. This theory posits that economic development is derived from the accumulation of external means of

production, including labor and capital (Mahembe and Odhiambo, 2014). The Rostow model claims that FDI serves as a crucial means of acquiring capital and facilitating technology transfers, both essential for fostering economic development in a country. Solow places significant emphasis on the role of foreign investment and technological advancements as crucial factors in the expansion of output and, therefore, accelerate development. Theories related to endogenous development elucidate the favorable influence of FDI on the economic development of a country. This is achieved through the enhancement of expertise, specialized knowledge and the learning of new skills by workers. The establishment of new techniques of management and organizational mechanisms, and technology improved the productivity of domestic enterprises (Borensztein et al., 1998; de Mello, 1997; de Mello, 1999). In addition, according to Moura and Forte (2010), foreign investment in the local market leads to the emergence of competitive dynamics. Local enterprises respond to this increased competition by enhancing their production, optimizing efficiency, implementing price reductions, and adopting a more effective allocation of resources method (Jordaan, 2012). A study of CPEC shows that in Pakistan there has been a positive impact of Chinese investment in different projects on economic growth and development. It is due to multiple reasons like investment in key sectors like infrastructure, the establishment of Special Economic Zones (SEZs) in some of the key production hubs, jobs creation, technology and skills transfer. Basically, foreign investment led to capital input, labor skills development and technology transfer which caused economic development.

The correlation between economic growth and political development in emerging nations like Pakistan has been a matter of debate among scholars and policymakers. Modernization Theory provides a framework for comprehending social and political developments in an economically developed society (Gwynne, 2009). Economic growth has been instrumental in enhancing the quality of life for individuals, fostering advancements in schooling, and contributing to a robust recovery. Moreover, a strong economy can play a pivotal role in conflict management by effectively tackling inequality and unfair distribution of resources. It also stimulates demands for greater political engagement, accountability, and transparency and strengthens social capital. These factors collectively improve political development by facilitating collective action and fostering greater collaboration in problems politics. Economic growth has a crucial role in both the establishment of new political institutions and the enhancement of existing ones. Furthermore, economic growth also leads to the proliferation of the middle class, a socio-economic group that can significantly influence political progress.

#### **4. Prospects of CPEC for Pakistan**

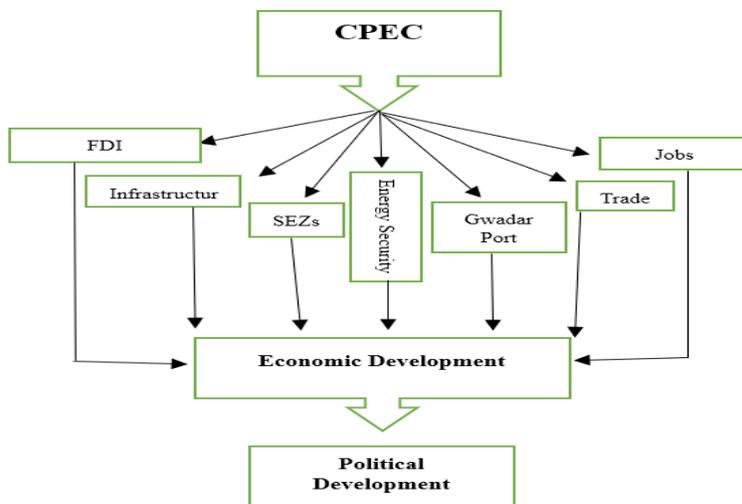
The CPEC project consists of installing fiber optics, maritime routes, new railway tracks and building highways (Hussain et al., 2021). Pakistan's strategic position has improved as a result of the initiative on the economic, political, and military fronts (Saud and Arif, 2018). **Figure 1** shows the details of CPEC's connectivity projects.



**Figure 1.** CPEC routes.

Source: CPEC Secretariate Pakistan. <https://cpec.gov.pk/map-single/1>.

It is noteworthy to mention that President Xi’s “constructive engagement” policy has been visible in CPEC, altering the course of Pakistan and the entire region. CPEC is a comprehensive rehabilitation program that includes roads, public service initiatives, gas pipelines, the building of industries, SEZs, energy generation and the expansion of the Gwadar port. CPEC has internationalized and improved the capacity of Gwadar Port (Baloch et al., 2018). To improve the flow of products and services between China and Pakistan, CPEC is more than just constructing new highways or enhancing existing ones. Additionally, it includes several projects to advance public facilities and infrastructure, energy and industrial manufacturing facilities, the construction of Gwadar deep Seaport and gas pipelines. In addition to linking the roads and railways, a pipeline to transfer oil from the Middle East to China’s western regions via the Gwadar is also envisaged (Bhutta, 2013). Close collaboration with China is helping Pakistan achieve its long-needed political and economic goals. The CPEC has given Pakistan economic, social, and political development opportunities and provided a solid platform for regional integration and connectivity (**Figure 2**).



**Figure 2.** Linkage of CPEC with the economic and political development (Source: Author’s simulation).

Chinese Vice Premier He Lifeng visited Pakistan at the end of July 2023 to participate in the 10th anniversary of CPEC. During his three-day official visit to Pakistan, both countries signed six agreements and MoUs to enhance bilateral collaboration. The list of MoUs included an MoU on the Industrial Workers Exchange Program, the establishment of the Joint Cooperation Committee (JCC) of CPEC, the establishment of an expert exchange mechanism within the framework of CPEC, the export of dried Chilies to China from Pakistan, and the realignment of the Karakoram Highway Phase II project (Abrar, 2023).

During his visit, Chinese Vice Premier Mr. He Lifeng was honored with the Hilal-e-Pakistan, Pakistan's second-highest civilian award, to acknowledge his significant contributions to fostering the friendship between the two nations. His pivotal role in the planning and execution of CPEC projects in Pakistan during his tenure as the head of China's National Development and Reform Commission from 2017 to 2023 has been duly recognized (Abrar, 2023).

## **5. The role of CPEC in the economic development of Pakistan**

Motivated by President Xi Jinping's vision of regional integration and the concept of a people-centered progress model, CPEC has diverse prospects for the economic development of Pakistan. Both China and Pakistan are benefiting from the CPEC, which has been instrumental in promoting economic growth and strengthening collaboration between the two countries. The CPEC is sometimes presented as bringing about huge problems, including a Chinese debt trap. Despite heated debate on this aspect, it is looking far from reality. According to Ramay (2023), the opportunity cost of no-CPEC would be very high. Pakistan will have to bear a cost of 15–20 billion dollars if there will be no CPEC in Pakistan. For instance, during the first phase, the CPEC has reduced the power generation crisis if it has not fully overcome it.

The project also created hundreds of thousands of jobs, 100 small and medium enterprises (SMEs) benefited from CPEC projects and improved the transport infrastructure. In addition, many Pakistani engineers and other professionals got skilled training. Nong Rong, the Chinese ambassador to Pakistan, stated that the CPEC has so far created over 192,000 employments and contributed to the country's socioeconomic growth by constructing 510 kilometers of motorways, 6000 megawatts of power plants, and 886 kilometers of electric power transmission lines. The industrialists and the general public of Pakistan, who were severely impacted by the protracted load shedding, got rid of their troubles through power generation projects like the Karot Hydropower plant, offering affordable and clean electricity. Overall, the opening of Nova and Thar Energy Limited (TEL) power plants in Thar, Sindh, with local coal, has largely addressed the electricity deficit in the country as its contributions to the national grid is an important turning point for minimizing load shedding (Barrech, 2023). By presenting numerous opportunities for growth and collaboration, the common people of Pakistan stand to reap substantial benefits. This initiative has already yielded improvements in business and investment, mineral exploration, and leveraged Pakistan's strategic location, as highlighted by Umar (2016). Over the past decade, regional connectivity and rural-urban interactions have

surged significantly. SEZs have emerged as focal points of interest for both Chinese and Pakistani business communities, unlocking the potential for job creation and facilitating the transfer of technology and expertise from China to Pakistan. SEZs are poised to play a pivotal role in diversifying the economy, offering a promising avenue to increase Pakistan's exports and reduce its reliance on imports. Pakistan has an ambitious plan encompassing 29 industrial zones, comprising two mineral zones and 27 (SEZs), as noted by Ali (2015).

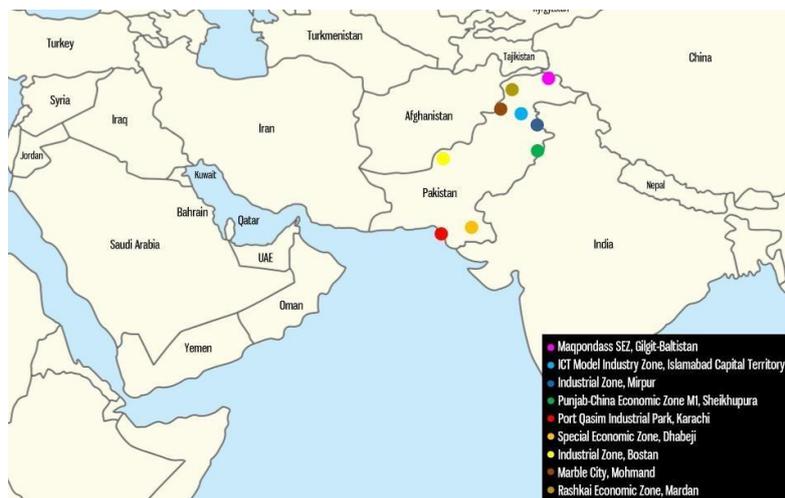
To transform Gwadar into a thriving hub of business activities alongside the Gwadar seaport, the development of the nine-kilometer Gwadar Special Economic Zone holds paramount importance. Additionally, noteworthy initiatives like the combined cotton biotech laboratory and the joint marine research center represent significant strides toward achieving Pakistan's economic growth objectives.

The Strait of Hormuz, a strategically significant maritime passage from which billions of dollars' worth of petroleum flow daily, is near Gwadar port. Gwadar will develop into a global trade and commerce hub once the corridor and its related connectivity networks are built and fully functional, connecting Pakistan, China, Central Asia, Afghanistan and the Middle East. According to the Gwadar Port's Master Plan, it will handle 15% of Pakistan's overall commerce with Central Asia, 12% of China's, 40% of Afghanistan's, and 25% of Pakistan's international trade. Once finished, these infrastructural, energy and connectivity initiatives will have a significant impact not just on job creation but also on the province's overall economic environment generally in Pakistan and particularly in Balochistan, the least developed region of the country. Balochistan lags significantly behind other provinces in every socio-economic and welfare measure. CPEC projects have diverse potentials for the province to expand people's horizons of opportunity, change the province's social and economic climate, and help it catch up to neighboring regions (Ahmed, 2017). Only the Gwadar port has the potential to bring in billions of rupees for the government and provide tens of thousands of employments to the people of the province.

Once fully operational, the corridor is poised to become a vital commercial artery connecting China, the Middle East, and Africa. This enhanced collaboration between nations has ushered in new avenues for growth and development. Notably, China will utilize this route for oil transportation, substantially reducing the distance traveled, bringing about various economic benefits, including transit fees for Pakistan. The profound geo-economic and political implications of CPEC extend far beyond Islamabad and Beijing, encompassing neighboring regions such as West Asia, the Middle East, and Central Asia. CPEC has laid the groundwork for a fresh paradigm in trade agreements and collaborative initiatives among regional nations, promising significant advantages for all involved.

Both China and Pakistan entered the second phase of CPEC. The emphasis switches to industrial advancement, collaboration in the agriculture sector, and other socioeconomic development initiatives. To strengthen Pakistan's manufacturing sector and promote diversification of the economy, nine SEZs in different parts of the country are being established (**Figure 2**) together with a focus on technology transfer and employment creation (Noor, 2023). It will visualize investments in industries, agriculture and IT sectors. Pakistan is an agricultural country, but unfortunately, the potential of this sector is not fully exploited; even millions of hectares of land is

uncultivated. Agricultural output accounts for 23% of the GDP of Pakistan and 45% of all jobs, making it the foundation of the national economy. The development of the modernized farming sector in Pakistan by China is the main emphasis of CPEC's second phase. In contrast to the global average of 3%, Pakistan only invests 0.1% on research and development (R&D) in the agricultural industry, which lowers the productivity of crops. China has vast experience in modern agriculture. Pakistan focused on taking benefits from the Chinese experience to improve its agricultural industry under CPEC. Pakistan recently focused on improving the agricultural industry in its collaboration with China. In Pakistan, the Sinochem Group of China has been introducing new varieties of wheat since 2018. Processing of fruits and foods is currently taking place in different SEZs as part of CPEC. In the Rashakai Economic Zone located in Nowshera, Khyber Pakhtunkhwa, there are 1000 acres of land specified for fruit packaging companies. The Bostan Industrial Zone in Balochistan also has 1000 acres to establish the cold storage, fruit processing, and halal food industries. Fruit, vegetables, and cattle are well-known in the surrounding areas of the Bostan Industrial Zone, such as Qila Abdullah, Ziarat and Qila Saifullah. In addition, plots are available for commercial use as 200 acres of Phase-1 is already completed (Barrech, 2023). Seeking to reduce poverty and provide employment opportunities, the Allama Iqbal Industrial Zone, which is thought to be Pakistan's largest industrial zone as it spans 3217 acres in the textile capital of Faisalabad, produces food processing and seeds (**Figure 3**) (Barrech, 2023). In the second phase, CPEC is supposed to move from government-to-government collaboration to business-to-business collaboration. It will open up a wide range of investment opportunities in the agricultural, agro-based industries, value-added services, livestock, meat processing industries, mining industries, and renewable energy sectors.



**Figure 3.** Map of SEZs under CPEC (Zia et al., 2017).

One of the primary objectives of CPEC is an advanced level of connectivity. The world's least economically integrated area is South Asia. In respect of economics, South Asia is even less linked than Sub-Saharan Africa. Perhaps in the near future, CPEC will be the precursor of regional connectivity and economic integration. Pakistan has gained valuable insight from China's replication of its approach to fostering regional integration. The CPEC project is a significant economic and

infrastructural development initiative to boost communications linkages and trade across the region. According to the plan, the importance of ports, land corridors, and railroads is crucial in the extensive socioeconomic developmental journey.

In modern times, railway lines are thought to be the quickest means of transportation and delivery of products since they can move more cargo faster than highways. As a result, both nations decided to modernize the railway system in Pakistan. In this regard, recently, China and Pakistan also agreed on the Main Line One (ML-1) railway project. It is a 10-billion-dollar project that is part of CPEC (Iqbal, 2023). This railway line starts from Karachi and leads to Peshawar, which is very important for the connectivity of different parts of Pakistan. About 75% of the country's rail transportation and commercial demands are satisfied by this 1800 km long railway line. Trains now travel between 65 and 95 km/h on this track, but the track needs to be expanded and maintained throughout time. To boost the operational speed of ML-1 from its present speed to a potential 160 km/h, the project entails upgrading and dualizing the system. Additionally, the Walton Training Academy located in Lahore will be improved, and the scheme also includes the construction of a dry port near Havelian (Bhutta, 2022). December 2024 is the current deadline for ML-1's project completion (Zaafir, 2023). These prospects made the project very important. Additionally, the improvement of the railway system would boost trade by ensuring a more rapid transportation of goods from SEZs to Gwadar and other ports, supply of raw materials to SEZs and provide faster and improved travel options for the citizens of Pakistan. Another significant advantage of this project is that the track will be used to transport coal, which will be used as fuel for power plants and bring in substantial revenue for the railway of Pakistan. Each of the five daily trains carrying coal to the power plant has 40 freight wagons, each carrying around 60 tons of coal. Every day, the Railways of Pakistan receive millions in income. The ML-1 railway project will support the country's trade, other financial activities, and tourism. An estimate shows that the project will create 24,000 new jobs (Bhutta, 2022). The next phase of this project is to extend the railway line from Karachi to Gwadar and from Havelian to Kashgar. To connect Gwadar and Kashgar via another rail link is also planned to offer the quickest, cheapest, and safest means to supply oil to China from the Middle East.

Numerous other significant projects related to the CPEC in Gwadar have also been completed by the People's Republic of China including the Gwadar Power Plant, the Khuzdar-Panjgor Transmission Line, distribution of 2000 boat engines to fishermen, the China-Pak Friendship Hospital, the New Gwadar International Airport, the Gwadar East-bay Expressway Project, the China-Pakistan Technical and Vocational Institute and the Gwadar Free Zone. Such projects will make Gwadar Port a shining pearl in the region (Malik, 2023).

Another mega project is the Karachi Circular Railway under CPEC. It is a \$2.027 billion, 43.13 km long railway line that will be built for mass transit in a metropolitan area of the city to enhance the public transportation infrastructure (**Figure 4**). Estimates show that about 650,000 individuals will travel in it every day (Soomro, 2023). For a long time, Karachi's public transportation system has been in terrible condition that has badly affected the daily lives of the people and the sustainable development of the city. The city is ranked the world's worst public transportation

system. The inhabitants of Karachi depend on outdated, overcrowded vehicles that even use the roof as an additional platform for passengers. This is true even though the city is the economic capital of Pakistan, home to the country's principal ports and regional offices for corporations like Standard Chartered Plc and Unilever Plc, which together help it produce half of the country's tax income. This Karachi Circular Railway project would make the transport system easy and comfortable in the city, which is home to 18.6 million people.

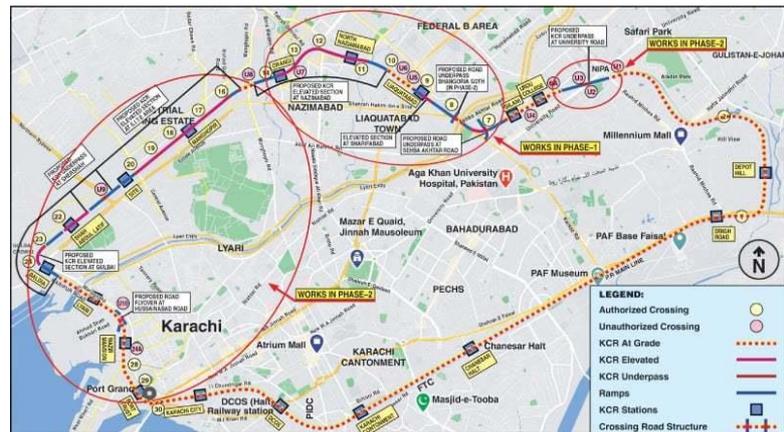


Figure 4. Map of Karachi circular railway (Siddiqui, 2021).

The Iran-Pakistan (IP) gas pipeline is also now a part of CPEC, planning to expand it to connect with China (Bhutta, 2013). CPEC recognizes the changing realities of global and regional affairs by promoting a more organized, sophisticated, and necessary link for the progress of socio-economic, commercial, energy, and commerce growth. Additionally, it allows both nations to strengthen their ties with Western Asia, the Middle East, Central Asian Republics, and European nations. Both nations are expected to gain from the planned interconnection of highways, railroads, shipping lanes, oil and gas pipelines, and electricity transmission lines. Additionally, it will aid in the socio-economic development of all those countries that join CPEC.

The CPEC has significantly deepened the interdependence between Pakistan and China, rendering it increasingly important for China to ensure Pakistan's economic stability and prevent any potential crisis or bankruptcy. Consequently, Beijing has played a pivotal role in safeguarding Pakistan from the perils of debt and bankruptcy. During critical junctures, China has provided invaluable assistance to Pakistan, stepping in when the nation teetered on the brink of bankruptcy. China extended favorable credit terms, refinanced existing debt, and helped Pakistan maintain its foreign exchange reserves at levels sufficient to avert a default. A recent example of this support is the \$2.3 billion loan from Beijing, provided for two-year, enabled Islamabad to weather economic challenges amid declining foreign reserves (Malik, 2023).

Upon the full completion of these projects, their collective impact on Pakistan's economic landscape will be substantial. The CPEC has ushered in new opportunities, effecting profound changes in the social, economic, and political fabric of the nation. It is set to catalyze and expedite Pakistan's overall growth trajectory. China's substantial investments in Pakistan have not only injected vitality into the economy

but have also played a pivotal role in creating a more favorable environment for FDI. This has, in turn, rekindled the confidence of international investors in the Pakistani market, which had waned due to security concerns related to terrorism.

As a result of CPEC's success, Pakistan has emerged as a comparatively attractive destination for companies seeking to leverage the opportunities generated by this transformative project. Undoubtedly, CPEC has made significant contributions to Pakistan's economic development, infrastructure enhancement, and the improvement of the living standards of hundreds of thousands of its citizens. Moreover, the initiative has led to establishing various skill development programs and schemes, nurturing a pool of skilled labor with promising job prospects. These developmental projects under CPEC have visibly impacted the labor market, effectively addressing the longstanding issue of a surplus of skilled labor but limited employment opportunities (Malik, 2023).

## **6. Political prospects of CPEC for Pakistan**

CPEC has witnessed a productive decade and will continue to further advance progress and prosperity in the region in the years to come due to the strong commitment and a rising convergence of interests between the two "Iron brothers" in the changing regional dynamics. The CPEC has also deepened China-Pakistan political relations in such a time when Pakistan is politically isolated in the region. On the eve of the 10th anniversary of CPEC, Chinese President Xi said in a congratulatory message that China will work with Pakistan to build CPEC a model, high-standard, sustainable and high-quality project of Belt and Road Initiative (BRI). He has marked CPEC as an important pioneering scheme of BRI cooperation, which boosted political and economic growth and created a solid framework for regional integration and connectivity. It serves as a powerful foundation for creating a community between China and Pakistan that is stronger than ever and has a shared destiny in the new era. It is a vibrant tribute to the all-weather friendship between the two countries (Independent News Pakistan, 2023).

He emphasized that Beijing's unwavering support for Islamabad will remain steadfast, regardless of shifts in the global environment. Both nations are committed to strengthening their unbreakable friendship, fostering security and development, and pursuing higher standards, broader scope, and deeper levels of cooperation. The goal is to elevate the China-Pakistan all-weather strategic collaborative relationship to new heights, ensuring that the two countries continue to work closely together and progress in unity. Such efforts will not only enhance prosperity and stability within their respective nations but also contribute significantly to regional well-being, as highlighted in "President Xi vows to turn CPEC into an exemplary project of BRI." This underscores the depth of understanding and strength of the political relations between the two countries.

The socioeconomic growth resulting from CPEC has many prospects for political stability, as economic stagnation is one of the key causes of political instability in Pakistan. Cooperation between the two nations under CPEC has boosted not just the economic and business ties but has also increased cross-cultural interactions, people-to-people interactions and fostered mutual respect and empathy between the two

countries. The second phase of CPEC will further intensify the focus on socioeconomic development and poverty reduction for a strong, sustainable and inclusive development in Pakistan. The respective sustainable development of both 'Iron Friend' has become more interdependent due to their ongoing economic and commercial integration under CPEC. Since the launching of CPEC, both countries have always worked together more closely at the political and strategic levels. They are working to deepen their cooperation in the fields of common interests for which CPEC has been proven instrumental.

It offers many potential opportunities for political development in Pakistan. Economic development is instrumental in restoring political stability in a country. The substantial rise in Chinese investment in different developmental sectors is serving as a significant motivator for the country's public and private sectors to engage people in constrictive activities, necessary for the political stability and restoration of peace in the country. The second phase is supposed to concentrate on industrialization and business-to-business cooperation between the two countries. The enormous number of jobless people in Pakistan would benefit from industrialization by creating employment opportunities, which will transform the social and financial burdens into a catalyst of prosperity. By stabilizing the economic position of marginalized people, CPEC has offered incentives for peace and political stability. With planned investments in the manufacturing sector, energy production and infrastructure development, CPEC increased employment opportunities in the private sector and provided a viable route out of poverty for the country's citizens, particularly the extremely poor who might otherwise be inclined to serve as mercenaries for the terrorist and militant groups. For the short to long term, the country's economic development will contribute to maintain domestic stability and enhance security. Pakistan will be equipped with more political motivation and competence to fulfill its defense commitment and obligations for combating regional terrorism when accompanied by enhanced governance and increased capacity.

It is also noteworthy that Balochistan, one of Pakistan's poorest and most neglected regions, is benefiting economically from CEPC initiative. CPEC has also many benefits for peace and stability in Balochistan, one of the most destabilized regions of the country. There is a wide range of displeasure, concerns and insurgency against the federal government on the grounds that it is exploiting the province's resources. The corridor is a powerful soft power tool for fostering consensus in Balochistan (Saleem, 2017).

These issues will be actively tackled, leading to a reduction in instability within the province. Historically, areas that have experienced economic development have also witnessed a subsequent increase in peace and stability. This correlation holds true for regions facing destabilization, including Pakistan's Balochistan province. The creation of employment opportunities holds immense promise for fostering peace and stability in these vulnerable areas. This perspective aligns with the United Nations' stance, as emphasized in its 2009 policy document titled "United Nations Policy for Post-Conflict Employment Creation, Income Generation, and Reintegration" (United Nations, 2009). The country in general and Balochistan in particular faces a high ratio of unemployment which has created many problems in the society including security challenges and militarization. At the same time, CPEC has created many employment

opportunities. According to the Ambassador of China in Pakistan Nong Rong, more than 192,000 jobs have been created by CPEC (Zaafir, 2023). Moreover, Balochistan is called the “fruit basket of Pakistan”. The province produces about 90% of the nation’s production of grapes and cherries, 60% of peaches, apricots and pomegranates and 34% of the nation’s apples. In terms of fruit and vegetable processing the Bostan Industrial Zone is supposed to play an important role in the near future. So, CPEC is a sign of optimism for the province’s marginalization and poverty (Barrech, 2023). All these are optimistic signs for the development of the province and the restoration of peace and stability. It will not only address the problems of the local community but also offer incentives for peace stability and political integration. This is another paradigm that would assist Pakistan in decreasing security challenges in Balochistan, restoring peace and stability and ensuring political stability in this destabilized province. These prospects are viewed as a potential driver of stability and prosperity by the policymakers of both countries. From the Chinese point of view, security and economic collaboration are interconnected with each other’s sustainable development. Economics and security are two parallel wheels that must be rolling to make progress. After launching CPEC, political and security situation in Balochistan has been improved.

CPEC has also presented Pakistan with a good chance to expand and play a more important role in the region. China and Pakistan’s security and economic goals in the region have been aligned due to CPEC which gave birth to a strategic partnership between the two countries. Based on the rationale of enhancing security through economic growth, Beijing has pledged to invest enormous amounts of capital in the economic corridor (Hashmi, 2023). China’s perception of this plan is that by improving the economic condition of Pakistan, it will be possible to mitigate the threats posed by militant and extremist organizations. Both countries agreed that stabilizing Pakistan’s economy and enhancing its internal security situation are goals worth working toward political stability.

In a broader context, it’s essential to perceive CPEC through the lens of geopolitical and geoeconomic objectives. This initiative holds promise for both participating parties. For China, CPEC offers the opportunity to expand its strategic influence westward, with Pakistan serving as a pivotal bridge connecting China to Central Asia, South Asia, and the Middle East. Meanwhile, for Pakistan, the benefits are multifold, encompassing inter-regional connectivity and nurturing strategic ties with China. These elements are critical to Pakistan’s socioeconomic growth, political stability, and security.

## **7. Conclusion**

It can be confidently asserted that the CPEC is not merely a network of roads and trains but a comprehensive developmental initiative that has profoundly impacted all facets of Pakistani society. As CPEC celebrates its first decade, its positive influence on both the economic and political dimensions of Pakistan is evident. CPEC projects, including the Gwadar port, interregional connectivity, infrastructure development, rail and road networks, trade, industrial units, SEZs, and a multitude of other developmental opportunities, have had far-reaching effects on Pakistan’s economic

and political landscape. These dynamic opportunities have catalyzed increased economic activities, engaged the population in constructive endeavors, improved living conditions for hundreds of thousands of people, and contributed to the mitigation of unrest in regions like Balochistan, where relative stability has been observed since the project's initiation. The nationwide transportation network has witnessed significant enhancements, Gwadar port is now operational, and the energy crisis has been alleviated as a result of CPEC. The creation of developmental opportunities, increased access to those opportunities, and the generation of job prospects have had a positive impact on Pakistan's economic and political situation. With the commencement of the second phase, collaboration and cooperation are set to be institutionalized and strengthened as the initial government-to-government framework transitions into a business-to-business pattern, further solidifying CPEC's prospects compared to the first phase. To bolster the economic and political potential of CPEC, it is imperative to ensure the full implementation of all related projects, enhance policy coordination, provide enhanced security for Chinese workers, and deepen Pakistan's economic ties with China. Several critical steps must be taken to fully capitalize on the corridor and its associated initiatives and programs on financial, social, and political levels. As the first phase of CPEC, which encompassed major energy and infrastructural projects, nears completion, the focus appropriately shifts to the second phase. This phase involves the development of SEZs, fostering business-to-business cooperation, poverty reduction, and engagement in agricultural and other related sectors. To unlock the true potential of CPEC and facilitate the long-awaited socioeconomic growth of the country, the establishment and operation of SEZs must be executed meticulously.

The government of Pakistan must adopt a proactive approach to ensure that SEZs and other second-phase projects are designed to attract the keen interest of Chinese and other foreign businesses. Additionally, the business environment in Pakistan should be strengthened, and the establishment of a single-window system to better facilitate foreign investors becomes imperative.

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