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CPEC AS THE FLAGSHIP OF THE BELT AND ROAD INITIATIVE: A CRITICAL ANALYSIS OF ITS POLITICAL AND ECONOMIC IMPLICATIONS

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Abstract
The China-Pakistan Economic Corridor (CPEC), launched in 2015 as a major part of China's Belt and Road Initiative (BRI), is expected to promote infrastructure development, energy security, industrial growth, and regional connectivity. After a decade, however, questions remain about its overall economic and political outcomes. This study examines the political and economic implications of CPEC and the factors shaping its performance. Drawing on Neorealism, Geo-economics, and Critical Political Economy, the study analyses CPEC's role in energy, infrastructure, industrial development, and regional connectivity, while also considering circular debt, Special Economic Zones, security challenges, civil-military relations, federal governance, and political instability. Using a qualitative approach based on academic literature, policy documents, and secondary sources, the findings show that CPEC has produced important infrastructure and energy benefits but has not achieved its wider transformative potential. The study concludes that stronger governance, institutional coordination, security, and political stability are essential for realizing CPEC's long-term benefits.

Introduction

When China's President Xi Jinping and Pakistan's Prime Minister Nawaz Sharif inaugurated the China-Pakistan Economic Corridor (CPEC) in April 2015, the two governments described it as a US$46 billion undertaking that would transform Pakistan's economy and anchor China's westward Belt and Road Initiative (BRI) in South Asia. The figure would later rise to over US$62 billion as new energy, transport, and industrial projects were added to the portfolio (Ahmed & Chaudhry, 2025). CPEC was framed as a "game changer": a corridor of highways, railways, pipelines, and power plants stretching roughly 3,000 kilometres from Kashgar in China's Xinjiang region to the deep-sea port of Gwadar on Pakistan's Arabian Sea coast. A decade on, CPEC remains the most frequently cited example of the BRI's ambitions and its difficulties.

This is significant because CPEC was never conceived purely as an economic undertaking. From its inception it fused Pakistan's chronic energy and infrastructure deficits with China's strategic interest in securing an alternative route to the Indian Ocean that bypasses the contested Strait of Malacca (Hameed, 2018). Successive Pakistani governments have treated the corridor as a vehicle for national development, a source of political legitimacy, and, for the military establishment, an opportunity to deepen an "all-weather" strategic partnership with Beijing (Small, 2015; Markey, 2020). For China, CPEC has served as a demonstration project for the BRI more broadly: a test of Beijing's capacity to deliver large-scale infrastructure in a fragile, security-challenged state before extending similar commitments elsewhere in Eurasia and Africa (Samad, 2025).

This paper aims to provide a critical and theoretically informed examination of the political and economic consequences of CPEC both locally in Pakistan and regionally and internationally. The paper is divided into six parts. It first places CPEC in the context of rival theoretical perspectives of International Relations and International Political Economy. It then outlines the institutional design of CPEC and the development of its investment portfolio. The paper then reviews, respectively, the economic performance of CPEC, political and governance impacts in Pakistan, securitisation in Balochistan and Gwadar, and regional and global geopolitical implications of CPEC, including the controversial 'debt trap diplomacy' argument. The paper argues that the success or failure of CPEC is not simply a matter of black or white but a reflection of the structural weaknesses that have been highlighted by CPEC in the Pakistani state.

Theoretical Framework

This study employs three complementary theoretical lenses: geo-economics, neorealism, and critical political economy. Together, these perspectives provide a multidimensional framework for understanding CPEC as a project shaped by both international strategic interests and Pakistan's domestic political and institutional dynamics.

The first lens is geo-economics, which examines how economic instruments such as infrastructure, trade, investment, and finance can be used to pursue geopolitical objectives (Blackwill & Harris, 2016). From this perspective, CPEC represents an important form of Chinese geo-economic statecraft. Chinese investment in Pakistan serves not only commercial purposes but also broader strategic interests, including improving connectivity to the Arabian Sea, supporting stability along China's western frontier, and strengthening China's relationship with Pakistan (Karrar, 2022). However, a geo-economic perspective should not assume that China has complete control over CPEC's outcomes. The implementation of Chinese-funded projects is also shaped by Pakistan's domestic political priorities, institutional capacity, and competing interests. Thus, the framework helps explain both the strategic ambitions behind CPEC and the limits of external influence.

The second lens is neorealism, which emphasizes the importance of security, relative power, and the international distribution of capabilities in shaping state behaviour. From this perspective, Pakistan's military establishment has viewed CPEC not only as an economic initiative but also as an extension of the broader Sino-Pakistani strategic relationship. Some assessments have even linked the development of CPEC and Gwadar to Pakistan's efforts to strengthen its strategic position vis-à-vis India (Samad, 2025). Neorealism therefore helps explain why the strategic value of Gwadar has remained important despite questions concerning its immediate commercial returns. The development of the port can be understood partly in the context of Pakistan's long-term security concerns and the strategic importance of its Arabian Sea coastline.

The third lens is critical political economy, complemented by scholarship on hybrid regimes and elite fragmentation. This perspective focuses on how domestic power structures, political

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institutions, and elite interests influence economic policy and development outcomes. Adeney (2017) characterizes Pakistan as an "illiberal tutelary democracy," in which elected institutions operate alongside significant military influence over foreign and security policy. The CPEC experience illustrates how these domestic structures can shape the distribution and implementation of major infrastructure projects. It helps explain centre-province tensions, limited transparency, and concerns that political interests and elite preferences have sometimes influenced project selection and implementation (Boni & Adeney, 2020; McCartney, 2018).

Taken together, these three perspectives allow CPEC to be examined from international, strategic, and domestic political-economic dimensions: geo-economics explains China's strategic use of economic instruments, neorealism explains the security interests underlying the China-Pakistan partnership, and critical political economy explains how Pakistan's domestic institutions and elite interests shape CPEC's outcomes.

CPEC's Genesis, Structure, and Place within the Belt and Road Initiative

The development of CPEC dates back to the time of the announcement of Silk Road Economic Belt and Maritime Silk Road by the Chinese President Xi Jinping in 2013. The concept of the Pakistan-based 'Trade and Energy Corridor' was initially floated by Musharraf in the early 2000s as an alternative to the 'Turkmenistan-Afghanistan-Pakistan-India' pipeline, which was oriented towards India (Samad, 2025), and it was Musharraf who helped persuade Chinese bankers to provide funding for the development of Gwadar despite their initial doubts about the port's remote location and poor commercial logic (Samad, 2025). However, it was Nawaz Sharif's government that convinced Beijing to broaden this more limited view into a comprehensive corridor of energy, transport and industrial cooperation that was formalized in the 2013 memoranda before the launching in 2015 (Hameed, 2018).

The CPEC is said to have a structure of '1+4', where the corridor is situated at the heart, with four pillars, namely Gwadar Port, Energy, Transport Infrastructure and Industrial Cooperation, and three broad phases (Samad, 2025). The first phase, mostly finished, dealt with the fuel shortages that Pakistan was suffering and connected Punjab and Sindh by the Eastern transport route alignment. The second phase was to bring in Chinese manufacturing through Special Economic Zones (SEZs), which has progressed quite slowly, as detailed below. The long-awaited third phase, wherein China would outsource labour-intensive work to Pakistan, is more of a dream.

There remains, however, a lot of uncertainty regarding the extent and status of CPEC investments. While China acknowledges only projects funded with BRI institutions, Pakistan claims it has a broader portfolio of projects funded under the Public Sector Development Programme, resulting in the conflicting investment figures of US$46 billion to more than US$62 billion in its official accounts (Samad, 2025). As per the political rhetoric, the number of the formal projects finished or in active construction as of 2025 stood at 38, with an estimated project value of US$25.4 billion, far less than the 429 projects.As of 2025, only 38 projects, valued at an estimated US$25.4 billion, were completed or under construction, while the number of projects as per headlines in political discourse was 429. This disconnect of announced plans and achieved infrastructure is itself a common theme in the critical literature on BRI projects around the world and a key feature of the critical literature on the CPEC (McCartney, 2018).

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Economic Implications: Growth, Debt, and Unfulfilled Industrialisation

Energy and Infrastructure Gains

The most obvious economic benefit of CPEC has been in the energy sector, where approximately 75 percent of the initial investment was made. In addition to new transmission lines, China-financed power plants also connected about 8,200 megawatts of generation capacity to Pakistan's national grid, which helped to alleviate the chronic load shedding that was estimated to cost about 2 per cent of the annual GDP growth in the early 2010s (Samad, 2025). Motorway extensions and modernisation of sections of the Karakoram Highway also lowered logistics costs along important domestic routes, which helped to lower costs.

The Circular Debt and Currency Problem

It had to do with structural costs, though, as these improvements came at a structural cost. CPEC's initial approach to energy has been reliant on imported-fuel power plants and take-or-pay contracts with independent power producers, which has created a need for cheap fuel imports and a stable exchange rate in Pakistan's power sector (Samad, 2025). These assumptions were shattered with the surge in international energy prices after Russia's invasion of Ukraine and a rapid decline in the rupee's value, resulting in the creation of a circular debt crisis in the energy sector, which had ballooned to several trillion rupees by 2024, and a wider balance of payment problem that placed Pakistan in the arms of the International Monetary Fund (IMF) (Samad, 2025). CPEC's first phase was not a true replacement for structural reform, rather in some aspects it was a postponement of the tough fiscal decisions Pakistan's economy needed, in line with past evaluations that externally financed infrastructure booms can provide short-term respite, but increase long-term risks (McCartney, 2018).

Special Economic Zones and Industrial Cooperation

The most noticeable underperforming aspect of CPEC has been its second segment which is based on the proposed nine Special Economic Zones (SEZs) to provide export-oriented jobs and employment for Chinese businesses. By the mid-2020s, only four zones had reached beyond the planning phase – Rashakai, Dhabeji, Bostan and Allama Iqbal Industrial City – and even these are partially operational (Samad, 2025). Insufficient federal-provincial coordination, problem of land acquisition, Pakistan's at best challenging ease-of-doing-business environment and reluctance of businesses from China to invest due to frequent security incidents have hampered progress. Favored by Chinese investors in Pakistan, they have been more interested in providing the domestic consumer market than in establishing export platforms, which has led to heightened worries of unfair competition among local businesses, instead of technology transfer and skills development as they were initially promised (Samad, 2025).

Debt Composition and the Question of Dependency

Another long-term discussion that has been sparked through the financing of CPEC is the issue of debt sustainability. In the case of the energy and infrastructure loans, the vast majority have been extended at almost commercial rates, with the average rate of around four percent, well below the rates that would be applied to projects outside the CPEC framework, and well above the rates that would be used for development projects (Samad, 2025). It is noteworthy that CPEC-related commitments are relatively small, some estimate that they make up about thirty percent of Pakistan's external debt stock, while the rest is held by multilateral and other bilateral creditors (Samad, 2025). This discovery makes it difficult with the easy-going narrative that puts the blame on China for Pakistan's debt troubles. This discovery complicates the easy-going narrative imbued upon Pakistan's debt problems, which is mainly attributed to Chinese lending, as discussed further in the section on debt-trap diplomacy.

Political and Governance Implications

Civil-Military Relations and the Securitisation of Policy

Political ramifications of CPEC within Pakistan have been as important as its economic achievements. Recent research all points to the conclusion that the corridor has strengthened, not undermined, the military's control over foreign and economic policy. The neorealist security calculus of Pakistan has always been a key determinant in the relationship between the two nations, where the role of the armed forces as the primary planners of continuity during civilian governments has been crucial (Samad, 2025). This trend became more obvious in 2019, when the government of Prime Minister Imran Khan made all decisions regarding CPEC over the civilian Planning Commission and appointed a retired general as the head of the new CPEC Authority, a move that was partly reversed by the government of Shehbaz Sharif in 2022 (Samad, 2025). CPEC's military interests have also been commercialized, as the Frontier Works Organization and the National Logistics Cell have stakes in flagship projects of motorway and port development (Samad, 2025).

Transparency and Parliamentary Oversight

The second theme that stands out from the literature is the corridor's enduring opacity. The agreements of CPEC have normally been executed in the form of executive memoranda of understanding, in the absence of Parliament and the Council of Common Interest which is a constitutional body that coordinates federally and provincially (Samad, 2025). In 2016, when the Senate questioned the transparency of the corridor and its potential for repeat colonial patterns to be followed by outsiders in economic penetration, some members explicitly referred to the East India Company (EIC), and even though the following governments—both during and after the tenure of Imran Khan—in their opposition criticized the lack of transparency in CPEC, overall this remained a closed-door exercise (Samad, 2025).

Federalism and Provincial Grievance

CPEC has also made it difficult for the federal government to implement the federal settlement outlined by the 18th Constitutional Amendment of 2010, which transferred power to the provinces in terms of finances and administration. Boni and Adeney (2020) show that the implementation of CPEC went against this devolution, by concentrating investment in energy and infrastructure in Punjab, which led to new critics from the smaller provinces to dub the corridor the "China-Punjab Economic Corridor". The original plan was to route the corridor via the under-developed areas in both Gilgit-Baltistan and Khyber Pakhtunkhwa but this was dropped for a more politically convenient route running through Punjab and Sindh (Hameed, 2018). CPEC has instead added fuel to the fire of grievances that have been bubbling in the region for a long time, stemming from the history of centre-periphery conflict in Pakistan since colonial times (Hameed, 2018).

Regional and Global Geopolitical Implications

India's Strategic Response

India has strongly opposed CPEC because it passes through Gilgit-Baltistan, a territory claimed by India as part of the disputed Jammu and Kashmir region. India also views Gwadar Port as part of China's growing strategic presence in the Indian Ocean. In response, India has developed alternative connectivity projects, including Chabahar Port in Iran, the International North-South Transport Corridor, and the India-Middle East-Europe Economic Corridor. These initiatives reflect growing regional competition over trade, connectivity, and strategic influence (Panneerselvam, 2022; Chaudhury, 2025).

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The United States and Extra-Regional Actors

Washington's involvement with CPE is more ambivalent than India's. American officials have warned occasionally about the debt load of the corridor on Pakistan and the possibility for Gwadar's military dimension, as well as maintaining a viable security relationship with Islamabad. In the last few years, however, the Pakistani military establishment has actively sought new avenues for foreign investment by courting American, Saudi and Gulf investment in the mining sector and Gwadar port to counteract China's reluctance to deepen financial ties due to Pakistan's frequent debt crises (Samad, 2025). This diversification indicates that the CPEC is not necessarily forming a Sino-Pakistani alliance but is becoming a part of a competition of influence between the two, with others potentially joining the fray.

The Debt-Trap Diplomacy Debate

The BRI is an integral part of the larger global discussion over the possibility of a "debt-trap diplomacy" strategy by China of granting unlimited debt to guarantee the acquisition of strategic assets if it is repaid (Chellaney, 2017). This is contradicted by a large volume of academic studies. The debt-trap narrative oversimplifies a much more complicated situation in which the terms of Chinese lending is only part of the explanation for debt distress in BRI-recipient countries—indeed, it is likely that the Chinese terms of lending are no more to blame than the fiscal policies that were adopted in these countries prior to the onset of debt distress (Brautigam 2020). If applied to Pakistan, this revisionist literature is generally consistent with the evidence, in that China has consistently rolled over Pakistani loans and provided support in the form of currency swaps during times of balance-of-payments crises without the imposition of punitive terms, instead urging Islamabad to turn to the IMF rather than absorbing its obligations directly (Samad, 2025).

Meanwhile, the debt-trap debate is not meant to be a complete defence of the financing model of the CPEC. The near-commercial financing and protection from competitive tendering of the early focus on imported-fuel power generation set in place exactly the exchange-rate and commodity-price vulnerabilities that later aggravated Pakistan's fiscal crisis (Samad, 2025). Rather, the more accurate criticism is not that China intentionally set up a debt trap, but that CPEC's design was based on China's and Pakistan's short-term political interests, rather than long-term economic planning, as the rest of the BRI literature has pointed out, is a structural feature of Chinese overseas lending and not a Pakistan-specific phenomenon (Carmody & Wainwright, 2022).

Discussion: CPEC as a Mirror of Pakistan's Political Economy

The analysis shows that CPEC's limited performance cannot be explained mainly by Chinese policies, lack of investment, or external shocks, although the Ukraine war, currency pressures, and rising energy prices created additional difficulties. A major factor has been elite fragmentation, as military, political, provincial, and business interests have often competed over CPEC's benefits instead of developing a shared long-term strategy. This weak coordination has contributed to delays, uneven development, and provincial grievances. At the same time, CPEC has produced important gains in energy generation and transport infrastructure. Its mixed record suggests that large-scale foreign investment alone cannot ensure transformative development. The success of CPEC depends on Pakistan's ability to improve governance, institutional coordination, transparency, political stability, and security. Thus, CPEC provides important lessons for other BRI projects in developing countries.

Conclusion

This study concludes that CPEC has produced important but uneven economic and strategic outcomes for Pakistan. Investments in energy and transport infrastructure have addressed major development gaps, but progress in industrialisation, Special Economic Zones, and regional connectivity remains limited. The study also finds that CPEC's implementation has been influenced by weak federal coordination, limited transparency, elite interests, civil-military relations, and political instability. Energy investments increased generation capacity but also added pressure to the circular debt problem, while security challenges in Balochistan and Gwadar increased implementation costs. The findings support the study's three theoretical perspectives: geo-economics highlights the economic and strategic value of CPEC, neorealism explains China-Pakistan strategic cooperation, and critical political economy shows the importance of domestic institutions and power relations. CPEC is therefore neither an unquestionable development success nor simply a debt-trap project. Its future success depends on stronger governance, transparency, civilian participation, security, industrial development, and equitable regional benefits.

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