

Can CPEC Unlock Pakistan's Economic Potential and Overcome Its Challenges?

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<https://doi.org/10.62345/jads.2025.14.1.108>

Abstract

CPEC, the China-Pakistan Economic Corridor, is often seen as a game-changer for regional trade, with its vast infrastructure and energy projects offering immense economic potential. Yet, behind the sleek highways and busy ports, some challenges threaten its promise of shared prosperity. While major projects like Gwadar Port and Rashakai SEZ have spurred growth, the benefits have not been evenly distributed. Pakistan primarily exports raw materials, while China specializes in manufactured goods, resulting in a trade imbalance between the two countries. These structural inequities are compounded by bureaucratic delays, cultural differences in business practices, and security concerns, all of which impede smoother cooperation. Small and Medium Enterprises (SMEs), crucial to Pakistan's economy, are left behind, struggling with a lack of funding, technology, and policy support. The focus on large-scale ventures in CPEC has excluded these smaller players, who are essential for job creation and local growth. For CPEC to truly succeed, it needs to address these gaps, particularly by reforming policies to make it easier for SMEs to thrive and ensuring a more balanced economic partnership. The solution lies in improving governance, fostering cross-cultural engagement, and prioritizing sustainable practices, including renewable energy projects. By tackling these challenges head-on, CPEC has the potential to evolve from a geopolitical initiative into a model for inclusive, long-term prosperity. It is not just about building roads and ports but about building an equitable future through collaboration and empowerment. Only then can CPEC deliver on its promise of shared growth and success.

Keywords: China-Pakistan Economic Corridor (CPEC), Infrastructure Development, Trade Imbalance, Socio-Political Challenges, SME Empowerment.

Introduction

The relations between China and Pakistan have improved over the years not only in trade and economic interdependence, but the most significant factor has been the China-Pakistan Economic Corridor (Khalid & Afridi, 2016). This is not just a massive construction project to build roads, power stations, and bridges, it is changing the way these two neighbors and the rest of the world trade. CPEC was launched in 2013 and has attracted billions of dollars for new highways, modern ports, and industrial zones in Pakistan (Khalid & Afridi, 2016). For China, it is a logistical

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advantage since it provides a shorter and safer access to the Arabian Sea compared to other routes. It is good for Pakistan to help their struggling infrastructure and an opportunity for them to get foreign investment. But, like any ambitious partnership, it is not without its problems. Take a walk through Pakistan's new industrial zones or drive along the freshly paved highways linking China to Gwadar Port, and you will see clear signs of development. Factories are being established, electricity supply has improved, and trucks loaded with products take shorter times to transport goods than in the past. However, if you scratch the surface, you will see that there are many issues with it. Pakistan continues to export largely raw cotton and seafood to China, while Chinese electronics, machinery, and consumer goods dominate the Pakistani markets. This one-sided trade makes Pakistan's businesses lag. These challenges are even more significant for smaller companies, which are the backbone of Pakistan's economy; high costs, unclear legislation, and scarce funding prevent many from benefiting from CPEC (Amna, 2024).

There is also the human side of this economic transformation (Haider, Rana, et al., 2024). Amidst boardroom meetings and factory floors, the effects of cultural differences are not easily negated in business. While in one country, a verbal agreement is as good as a handshake, in the other, it may require legal documents spanning several pages. People living close to the construction areas are concerned with environmental impacts or being forced to vacate the land without compensation. These are not peripheral concerns but the core elements that will define whether CPEC will be a success for both countries. This piece offers an exact assessment of the current state of CPEC, the actual opportunities emerging, the challenges that remain unsolved, and the next steps required for both Pakistan and China. It will:

1. Identify the key sectors for investments and opportunities for business – from energy to technology and their advantages in the context of this corridor.
2. Identify the hard and persistent issues, such as Pakistan's struggling exports and bureaucratic hurdles.
3. Provide concrete recommendations that range from policy changes to community collaborations that could help make this big project better for all the parties involved.

The Transformative Impact of CPEC on Regional Trade

In its simplest terms, CPEC is all about infrastructure – roads, ports, power plants, and Special Economic Zones that will transform Pakistan into an economic corridor that helps China gain fast and direct access to the international markets. The most significant project of CPEC is the construction of Gwadar Port, which is a deep-sea port located in the southwestern Baluchistan province of Pakistan (Nazir, 2021). Gwadar was once just a fishing village before the conception of the CPEC; now, it is a prominent trade hub. Increased cargo terminal and expansion of docking facilities enable China to avoid the Straits of Malacca, thereby reducing transit time of goods to the Middle East, Africa, and beyond (I. Ahmad et al., 2024). Meanwhile, it is the hope for jobs, enhanced sea trade, and possibly a strategic center for logistics for Pakistan. The Karakoram Highway KKH, once a risky journey through mountains, has been transformed into a modern trade corridor connecting the Chinese Xinjiang province to Islamabad (Karrar, 2021). On the positive side, the government is in the process of implementing the largest railway modernization project known as the ML-1 Railway with over 1800km from Karachi to Peshawar in place to reduce both the cost of freight and traveling time (U. Khan, 2019). These projects do not only transport cargo; they create accessibility for businesses, connecting manufacturers to the sea and producers to consumers. Blackouts for years became a norm in Pakistan that severely impacted its industries. CPEC addressed this issue head-on through coal, hydro, solar, and wind projects. The Sahiwal

Coal Power Project is one of the quickest-developed projects in the energy sector of Pakistan and has become a source of power for millions. However, newer ventures such as the Quaid-e-Azam Solar Park are helping the country in transitioning towards green energy.

To encourage overseas investors, CPEC is establishing Special Economic Zones (SEZs) – incorporated zones that provide investment incentives, efficient policies, and infrastructure. For example, the Rashakai SEZ is increasingly attracting textile and manufacturing companies, while others target technology or agriculture processing industries. Not only for Chinese companies, are these zones aimed at developing the Pakistani industries by providing employment and export opportunities. The China-Pakistan Economic Corridor (CPEC) is gradually altering the trade geography of Asia in ways that may redefine the economic landscape of the region. This grand plan addresses one of China's most important strategic dilemmas: the fact that nearly 80% of its imported oil still transits through the congested and strategically delicate Strait of Malacca (Ventura Jarrod, 2019). CPEC also grants equal importance to the establishment of a direct land route from China's western provinces to Pakistan's Gwadar Port, where Chinese products can reach the Middle Eastern and African markets more safely and efficiently, eliminating thousands of kilometers of sea distance. This is not only about efficiency and cost; it is about avoiding chokepoints or contentious waters that may be of strategic importance to China in the Asia-Pacific region. For Pakistan, CPEC is a dream that promises to transform the country into a regional trade hub. The improved highways and railways, as well as the deep sea port at Gwadar, are gradually turning the country from a mere spectator of the regional economic growth into a hub of commerce and trade linking South Asia, Central Asia, the Middle East, and the rest of the world. Where once trucks were slow and often drove on bad roads, new transport arteries now whisk goods across borders. Where factories used to face daily challenges with power cuts, new power plants assure that the lights are on and the conveyor belts revolve. The scope is immense – if Pakistan wants to be, it can be the gateway for Central Asia that Singapore is for South East Asia or Dubai for the Middle East (G. Ali, 2022). However, CPEC is not just limited to China and Pakistan, but it has its importance in the global context. It is slowly creating a web of economic interconnectivity between the neighboring countries as well. Afghanistan secures new trade routes to the sea. The development provides Central Asian nations with new opportunities to transport their goods to world markets. Perhaps some of the Middle Eastern states might one day consider Gwadar as an option instead of their conventional ports. Of course, these are not assured—security threats in the border areas, the maintenance of infrastructure created under the CPEC, and Pakistan's ability to move up the value chain will define the success of CPEC. What is clear is that this corridor is already altering the flow of cargo through Asia, and its effects could be felt for decades. In a world where the geopolitics of trade determines the balance of power, CPEC is a locomotive that is aligning both China and Pakistan to be future power players.

Unlocking Pakistan's Economic Potential through CPEC

It will pave the way for the growth of the principal industries of Pakistan to compete in the global market. The textile sector has been one of the most critical sectors in the country's economy, and it has been supported by improved infrastructure and electricity supply. This has made it easier for textile factories to produce their products without interruption from power shortages and transport their products faster to the international markets. China can be a goldmine for Pakistan. Pakistan has millions of potential customers to sell its textiles to if the quality and supply chain management are enhanced (Idris, 2024). Agriculture is one of the areas where CPEC is making a significant impact for a better future. Pakistan has always been an agricultural country and has rich lands for

farming, but the farming techniques and transportation were not very efficient. Now, Chinese partnerships are introducing smart irrigation systems, modern processing plants, and better storage facilities. These upgrades will allow Pakistani fruits, rice, and other agricultural products to arrive at Chinese dinner tables in better condition and for a better price. Specifically, better road and cold storage infrastructure under CPEC is significantly helpful in cases of perishable food items that got spoiled in the past due to inadequate transportation to distant regions (Farooq et al., 2020).

Digitalization is arguably one of the most exciting trends of the modern world. From laying down fiber optics for internet connectivity to creating technology parks across Pakistan, the emergence of a new economy is gradually being witnessed. A significant number of young and dynamic individuals are developing online marketplaces to help Pakistani artisans sell their products to customers globally. Fintech startups are already coming up with payment solutions for the large populations in the country that do not have access to banking services, while software firms are targeting the Chinese market and other markets globally.

These technology clusters are not only creating employment but are also taking Pakistan into the twenty-first century. Chinese investment in technology transfer and training has provided knowledge and skills to Pakistani workers for the new economy. The CPEC presents numerous opportunities for investment in different fields; however, such opportunities are not without risks that have to be considered. SEZs are particularly suitable for manufacturing and export sectors, but volatile policies and infrastructural vulnerability are still a huge concern (Liaquat et al., 2025). Even though these zones provide a good environment for business, investors face problems with red tape and uneven access to utilities. This creates unhealthy competition. In the energy sector, the focus on solar and wind projects is a favorable trend, but there are concerns regarding land purchases and integration with the grid. There is potential in the logistics and transportation vertical due to enhanced highway and port connectivity; however, security threats in some areas and clumsy customs formalities may have a negative impact. There are long-term prospects for trade and tourism because of the position of Gwadar Port, but there is no infrastructure, and this makes it difficult to predict the immediate gains. Therefore, the sustainability of CPEC investments only remains possible with the reliable consideration of opportunities against realistic hurdles. Investors should set realistic expectations, research projects thoroughly, and plan for long-term investments to handle market uncertainty in Pakistan. The special economic zones are supposed to bring benefits through lower costs of operation and procedures, however, Small and Medium Enterprises (SMEs) still find themselves struggling with challenges in accessing funds and implementing the technicalities of global markets (Zheng et al., 2022).

Many sectors seem to be benefiting from CPEC; however, technology startups and e-commerce ventures seem to be the most likely to benefit from the improvements in digital infrastructure. Internet connections and online payment platforms offer opportunities for Pakistani businessmen to reach more consumers. However, the vast majority of these startups fail to scale up due to a lack of appropriate mentorship and stiff market competition from the Chinese firms already venturing into the Pakistani market. While Knowledge Exchange (KE) with Chinese partners has the potential to bring about significant benefits, it has been observed that the actual transfer of technology and trade savoir-faire fails to meet such expectations. The development of better access to credit and technical support from financial institutions and the government can enhance the role of SMEs in expanding trade (Kanwal et al., 2019). The viability of SMEs and startups under CPEC is thus contingent upon the elimination of these structural hurdles while providing fairer and equal opportunities for Pakistani entrepreneurs to operate in this integrated regional

market. The extent to which they will be able to innovate and adapt will determine whether or not CPEC will bring about a positive change for the deprived (Khan & Bukhari, 2024).

Trade Imbalances and Dependency Issues

One of the issues of concern is the fact that there is a trade deficit between the two countries. Pakistani imports from China far exceed exports, and the trade deficit is increasing persistently. China mainly supplies machinery, electronics, steel, and chemicals to Pakistan, and Pakistan mainly supplies rice, cotton yarns, textiles, and leather (Ahmad, 2020). This not only caps the country's economic growth but also puts it at the mercy of China by relying on its products. To address this, Pakistan needs to expand the portfolio of its exports by improving industrial efficiency and focusing on higher-value products.

Regulatory and Policy Barriers

Trade relations are further troubled by regulatory disparities. This is due to differences in legal systems, procedures in customs, and policies in taxation, which make the environment unpredictable for business (Ullah et al., 2024). Better coordination of trade policies and rationalization of regulations could help improve the ease of doing business and boost investor sentiment.

Logistics and Infrastructure Challenges

There are still some challenges that remain, particularly in the area of logistics, even with the development of infrastructure under CPEC. Poor road and railway infrastructure in the remote areas, poor border posts, and lack of enough warehousing capacity slow down the transport of goods (McCartney, 2022). For instance, the recent power outages led to civil unrest in Aliabad, northern Pakistan, resulting in the shutting down of the Karakoram Highway that connects Pakistan to China and leaving hundreds of trucks stuck (Amna, 2024). In order to address these issues, there is still a need to reinvest in new logistics and infrastructure.

Cultural and Language Differences in Business Dealings

Cultural and language barriers can also present difficulties. Even though political relationships are quite friendly, differences in business cultures and communication may result in some confusion (Siddiqui, 2019). It is noteworthy that cross-cultural training and language education development can help to close this gap and improve cooperation.

Security Concerns

One area that requires more analysis is the effects of insecurity on bilateral trade. The CPEC has been attacked by insurgent groups, and many Chinese workers have been killed, which has brought insecurity to the projects (Bhatti et al., 2021). These security concerns affect not only the personnel but also the project schedule and budget. While the existing literature discusses these occurrences, there is a gap in the literature in terms of an exhaustive assessment of the tendencies and their impact on trade and investment in the long run. Knowledge of how security affects investors and project viability may be helpful to policymakers and investors.

Challenges and Barriers

The CPEC has brought about tremendous opportunity in terms of economic benefits; however, many challenges and constraints affect the prospects of the CPEC. It is crucial to address these issues to achieve the objectives of CPEC and make the projects sustainable in the long run.

Regulatory and Legal Challenges

This article reveals that regulation and legal issues are a significant factor hindering the advancement of CPEC. Legal regime disparities, unclear or double standards, and variations in the application of the laws act as barriers to investment and impede project development. This is deteriorated by convoluted approval procedures, red tape, and regular changes to policies and regulations that slow down the execution of projects. Furthermore, the centralized structure of the government in Pakistan, where the central and provincial governments work in parallel, causes long decision-making processes and slow project execution. They call for clear legal frameworks, better cross-government working, and clear procedures for dealing with disputes.

Cultural and Operational Differences

Cultural and operational differences are some of the challenges that affect cooperation between Chinese and Pakistani stakeholders (Shabbir & Xiangming, 2022). These factors cause conflicts due to differences in managerial approaches, business communication, and bargaining methods. Language issues make it even more challenging to communicate during operational and technical tasks. Some of the recommendations to foster cultural exchange and cooperation include encouraging the use of cross-cultural training programs, the use of bilingual employees, and the formation of joint management teams. It also means that the promotion of cultural exchange programs can lead to improved business relations.

Environmental and Social Concerns

A lot of concern has been raised regarding the environmental and social implications of infrastructure and energy projects under CPEC. Major construction processes and activities also have adverse effects that include deforestation, air/water pollution, and the destruction of habitats and ecosystems. Further, industrial discharges of wastes and emissions are other major sources of environmental pollutants (Haider, Mathlouthi, et al., 2024). In the social aspect, people living in the vicinity of the project area experience issues such as forced eviction, loss of income, and poor compensation. It is important to involve local communities and undertake comprehensive impact studies to manage and minimize negative impacts on the environment while promoting sustainable development.

In addition, the government should set up independent supervisory authorities and promote CSR measures to minimize adverse effects and gain public approval of CPEC projects. The case studies of the China-Pakistan Economic Corridor (CPEC) reveal multiple business cooperation between China and Pakistan, which are important to understand the nature of international business cooperation (Sadiq & Haider, 2024). An example thereof is the Sahiwal Coal Power Plant that has been developed by the Chinese Huaneng Shandong Power Generation Co., Ltd. and Shandong Ruyi Science & Technology Group. Sahiwal, Punjab, has a coal-fired power plant that has a total capacity of 1,320 MW and was commissioned in 2017, one year earlier than planned (Syed et al., 2020). It has significantly helped in overcoming energy shortages in Pakistan by generating more than 25 billion units of electricity till January 2021 (Baloch et al., 2023). Apart from energy generation, it has brought socio-economic impacts, for instance, employment opportunities for the locals and other social activities such as planting of over 50,000 trees. The provision of a technical training school for 600 students is another indication of the project's contribution to community development.

Another important investment project is the construction of the Gwadar port by China Overseas Port Holding Company. Described as a modern deep sea port, Gwadar is being developed to act

as a transit hub for the region's trade. Another development that boosted the connectivity of the port was the planned commissioning of the Gwadar International Airport in 2024 by the Beijing government (Ismail, 2025). However, the project has not been without its challenges, including insecurity issues due to the locals' riots and the recent attacks on Chinese expatriates. They have left people questioning the viability and safety of such big-stake investments.

The Rashakai SEZ is an example of industrial cooperation under CPEC. This SEZ is located in Nowshera, Khyber Pakhtunkhwa, and is spread over an area of 1000 acres. It is a collaboration between Khyber Pakhtunkhwa Economic Zones Development and Management Company and China Road & Bridge Corporation. The zone was established in May 2021, and many enterprises, particularly those in processing and manufacturing, home appliances, and pharmaceutical industries, have been attracted to the zone (Liaquat et al., 2025). Tax incentives, infrastructural support, and favorable geographical location close to trade corridors make Rashakai SEZ a key driver of regional economic transformation.

Yet, these projects point towards the possibilities of Sino-Pakistani cooperation, and at the same time, they suggest the areas that have remained relatively unexplored in the existing literature, especially regarding the socio-political outcomes of such business partnerships. The local community's attitude towards these projects, the question of resource distribution, and the effects on indigenous people have not been thoroughly examined. For example, the overemphasized development of Gwadar has invited controversies in terms of economic resource extraction and the exclusion of the locals. Meeting these needs involves a basic understanding of community needs and the inclusion of community-based strategies in project implementation.

Several lessons can be learned about future cooperation based on the Chinese investments that Pakistan has attracted under the CPEC. One of the important findings is the need to engage stakeholders in the process of healthcare delivery (Aziz et al., 2023). As the case of Lahore Orange Line Metro Train (OLMT) illustrates, early coordination between governments, private sectors, and communities is effective. The OLMT, a 27.1-kilometer metro line that connects different parts of Lahore, was developed with Chinese investment and became operational in October 2020. It is a modern transportation system for the residents of Lahore. When projects use clear decision-making and involve people in discussions, they tend to get more support.

Another significant lesson is the importance of infrastructure readiness. The OLMT highlights how modern transportation networks can enhance urban mobility and reduce congestion. The metro line, with 24 stations being elevated and 2 being underground, has enhanced people's daily transport, making it evident that for any city to embrace sustainable structures that make transport easy, they need to embrace city planning that will enhance sustainability in the long run.

Training and development, technology transfer, and building capacities have also played a significant role in improving industrial development in Pakistan. The second phase of CPEC focuses on the technological aspect that aims to take Pakistan towards a knowledge-based economy. One of the strategic areas of cooperation between China and Pakistan has concerned the creation of technology parks and training that should create thousands of jobs for highly qualified specialists and encourage innovations. Such measures enhance the sustainability of the local knowledge and experience to provide a long-term positive impact and diminish dependency on foreign professionals.

Environmental and social issues are still of great concern. While some projects, such as the OLMT, have been hailed as successful in enhancing the transport sector in cities, it is necessary to extend sustainable practices to all the CPEC projects (Sulaiman, 2024). This means that it is necessary to carry out environmental impact assessment studies and adhere to corporate social responsibilities

to guarantee that local people benefit and that developments are sustainable. For instance, studies have emphasized the need to incorporate sustainable measures in mega-construction projects under CPEC to avoid environmental hazards. One such area that has not received much attention in literature is the analysis of the socio-economic effects that these investments have on communities in the long run. Although some benefits can be seen in the short term, for example, job creation and the construction of social amenities, more research needs to be conducted to establish the long-term impacts on cultures, the economy, and the environment. This makes it very important to understand these dynamics in the context of formulating policies that will allow for meaningful and sustainable development for everyone (Hassan et al., 2022). The following recommendations can be adopted to enhance economic cooperation, build stable relations, and generate positive effects for both nations:

Facilitating Trade and Investment

Streamlining trade facilitation mechanisms is crucial. For instance, the World Bank notes that Pakistan has pledged to implement special customs clearance measures for CPEC trade in a bid to fast-track procedures and eliminate hurdles. Further development of SEZs through specific incentives can attract Chinese and domestic investors. Some of the incentives include tax exemptions, infrastructural assistance, and efficient business services, which can enhance business development. However, it is crucial to ensure that these incentives are aligned with other economic policies that are in place. As for SEZs, the latest IMF reports have suggested to Pakistan not to set up new or existing SEZs tax breaks and subsidies that would distort the Level Playing Field (Liaquat et al., 2025).

PPP enhances the use of private-sector skills and capital in infrastructure and energy projects. To achieve this, it is crucial to clarify the bidding procedures and provide the necessary financial guarantees to make the private sector eager to participate and deliver within the stipulated time frame. The CPEC framework has brought about considerable investments in the infrastructure of Pakistan, which has made it a hub for FDI (Mehar, 2017).

The development of knowledge sharing between Chinese and Pakistani enterprises is crucial in enhancing local capacity. Promoting technology transfer centers and vocational training institutes can create employment opportunities and increase industrial capacity. The second phase of CPEC is focused on the growth of Pakistan's knowledge economy through technology and skills development.

Promoting the development of SMEs is important for the growth of the economy since they are key drivers of economic growth. Measures that guarantee financing, training, and business incubation will enable SMEs to tap into the potential offered by CPEC. The CPEC framework acknowledges this potential and seeks to ensure that SMEs are able to contribute effectively in the development process. To enable the sustainability of projects under the CPEC, a range of policies that factor in the environmental, social, and governance structures of the country need to be taken. It is imperative to carry out mandatory and transparent Environmental Impact Assessment (EIA) for all the large-scale projects. The environmental impact assessment of the CPEC road project from Rehmani Khel to Kot Balian found several environmental concerns. These include vehicle emissions, land degradation, and changes in local species (Saqib et al., 2023). In order to counter these effects, the study proposed the formulation of sound environmental protection measures to guide the management of the environmental impacts due to the proposed project. It is necessary to create independent overseeing structures to ensure compliance with set environmental laws and policies. The adoption of green infrastructure development and the implementation of renewable

energy sources will also help to reduce environmental harm in the future. It is crucial to have inclusive development policies that will focus on the needs of the local population. This article also demonstrated that public engagement in decision-making on the CPEC projects leads to increased perceived benefits due to positive perceptions. If adequate compensation for the affected people is provided, employment is created, and community development projects are supported, there will be sustainable support.

Investing in renewable energy sources, including solar, wind, and hydroelectric power, ensures that the energy mix is cleaner. Adaptive designs are crucial to minimize the consequences of adverse climate change on structures and buildings. Since Pakistan is one of the countries most sensitive to climate change, it is necessary to consider sustainable development in CPEC projects. It is important to stress that procurement transparency and anti-corruption measures are the keystones to sustainable development. The use of independent oversight committees may also serve as a check on the progress of the project and increase efficiency, which can increase public confidence in the project as well as the efficient use of resources.

Measures for environmental cooperation may be taken to promote the collaborative efforts for the sustainable management of transboundary ecosystems. The cooperation with organizations of the region to exchange experience and develop joint initiatives will contribute to the enhancement of the protection of the environment. For instance, the Mansehra–Muzaffarabad–Mirpur Expressway project involves compliance with environmental standards and focuses on developing sustainable tourism and wildlife conservation (D. Ali, 2020). The CPEC has had a significant impact on the economic development of Pakistan and has brought about considerable progress in many fields.

CPEC has enhanced the trade and investment relations between the two countries, especially in the areas of textiles, agriculture, technologies, and energy. The infrastructure and energy sector-specific first phase of CPEC signed between 2015 and 2021 has drawn \$4.86 billion Chinese investment to set up a foundation for industrial and technology cooperation. The initiative led to the construction of highways, railways, and ports, particularly the Gwadar port. These have, in turn, helped in improving the regional integration by increasing connectivity, decreasing transportation costs, and improving trade links.

Projects such as Sahiwal Coal Power Plant are good examples of cooperation between the two countries. They help solve energy issues and contribute to industrial development. SEZs also have a positive impact on the global economy through the provision of investment incentives, such as tax breaks and the development of improved industrial infrastructure (Shaikh et al., 2022).

Critical Analysis

CPEC has undoubtedly been a game-changing development for Pakistan with its huge infrastructure projects and economic prospects. However, as much as it has provided for society, there are some areas that deserve a better and deeper analysis. Though CPEC is seen to provide opportunities for trade and investment and the establishment of industries, some challenges require attention for CPEC to realize its full potential. China is selling more goods to Pakistan than Pakistan is selling to China. This creates a problem of unequal exchange between the two countries. Even though infrastructure has improved, Pakistan remains a raw exporting country, while China holds dominance in manufactured goods. This trade disparity raises a pertinent question: How can CPEC assist Pakistan to transition from raw material exporter to finished goods manufacturer? If the problem is not solved, Pakistan seems to remain in a dependency cycle, which does not empower it economically in the long run.

Another challenge is the bureaucratic and regulatory system. While CPEC has brought investment to Pakistan, local businesses, including SMEs, struggle with the complex business environment. Surprisingly, there is not much written on how to solve the problem of slow decision-making and how to optimize the regulatory framework. In what ways can the government optimize these processes to make full use of the CPEC investment and provide equal opportunities for both the large corporations and small enterprises? Despite the awareness of the issue, cultural differences have been a factor that impedes the connection between Chinese and Pakistani investors. Although economic incentives drive the partnership, cultural factors – including business and management practices and communication styles – can thwart successful cooperation. These are cultural aspects that require further consideration. What is the way for both parties to go beyond the mere contact and create long-lasting, meaningful relationships that involve appreciation? It is noteworthy that CPEC is penetrating deep into the development of infrastructure, however, the social and environmental effects of its projects require further detailed analysis. Local communities, particularly in areas like Gwadar, have raised concerns about displacement, insufficient consultation, and the environmental effects of construction projects. This brings to the front the question of how CPEC can ensure that the projects implemented have a positive impact on business and the population of the country. This means future projects should incorporate adequate protective measures for the environment and consult community members beforehand.

Lastly, the sustainability of CPEC in the long run is questionable. However, it is crucial to question whether the current paradigm shift can work for the future as the world becomes more volatile and unpredictable. Now that power equations are changing, security risks are emerging, and economic models are emerging, how are we going to ensure that this CPEC remains a win-win for both Pakistan and China in the years to come? For CPEC to realize its full potential, it would have to transform from being just an infrastructure project. It has to be a model that can develop both nations sustainably in the long run. If we fill these gaps, support the growth of small businesses, and advance environmental and social sustainability, CPEC is capable of fulfilling its potential to transform not only Pakistan's landscape but also the country's cooperation with China.

Conclusion

This article has discussed different aspects of the CPEC and opened a window into the prospects and risks for Pakistan and China. This article's originality lies in its analysis of the imbalanced nature of the economic relations between Pakistan and China, where the former continues to export raw material to China while the latter exports finished products. This is an aspect that is not very well addressed when discussing CPEC, but it should be a concern for policymakers to ensure that this imbalance is corrected to allow for sustainable development in Pakistan. In this regard, this article presents a valuable outlook that might help in further attempts to achieve a more equitable trade relation. Another important issue discussed in this article is the issue of regulatory concerns and bureaucratic hurdles that constrain CPEC's benefits. They have emphasized the need for policy changes in order to facilitate these processes and help the businesses, especially SMEs. The article provides practical recommendations for improving the business environment in Pakistan and supporting the development of SMEs, which is essential for the country's development.

For the readers and the academic literature, this study is useful as it reveals the need to consider environmental and social issues in the context of CPEC projects. It emphasizes the need for more awareness, involvement, and responsible use of CPEC's resources and opportunities by the public. In this regard, by describing policy changes that involve better governance, investments in

renewable energy, and cross-cultural cooperation, the article offers a blueprint for how CPEC can be transformed into a more positive model of development for the region.

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