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China's Strategic Corridor in Pakistan: Progress, Dependency, and the Uncertain Future of CPEC

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The China–Pakistan Economic Corridor (CPEC) was promoted as a transformative partnership to modernize Pakistan's economy, address energy shortages, and enhance regional connectivity. More than a decade later, however, CPEC increasingly reflects Pakistan's gradual transformation into a "Silk Cage" state, where infrastructure connectivity and economic dependence are closely linked to China's expanding strategic influence. This Focus Asia paper argues that while CPEC Phase I delivered visible gains in roads, energy infrastructure, digital connectivity, and Gwadar Port, it also entrenched structural dependency through mounting debt, political alignment, and reliance on Chinese finance, technology, and security arrangements. Rather than driving broad-based industrial transformation, Phase I exposed Pakistan's institutional fragility, regional inequalities, and governance challenges. The transition to CPEC Phase II or "CPEC 2.0" marks a strategic shift from large-scale infrastructure financing toward deeper economic integration through Special Economic Zones, green technologies, mining, and private-sector partnerships. The paper concludes that CPEC has evolved beyond a development initiative into a long-term mechanism of strategic influence, embedding China within Pakistan's economic and political architecture and strengthening its broader Eurasian ambitions.

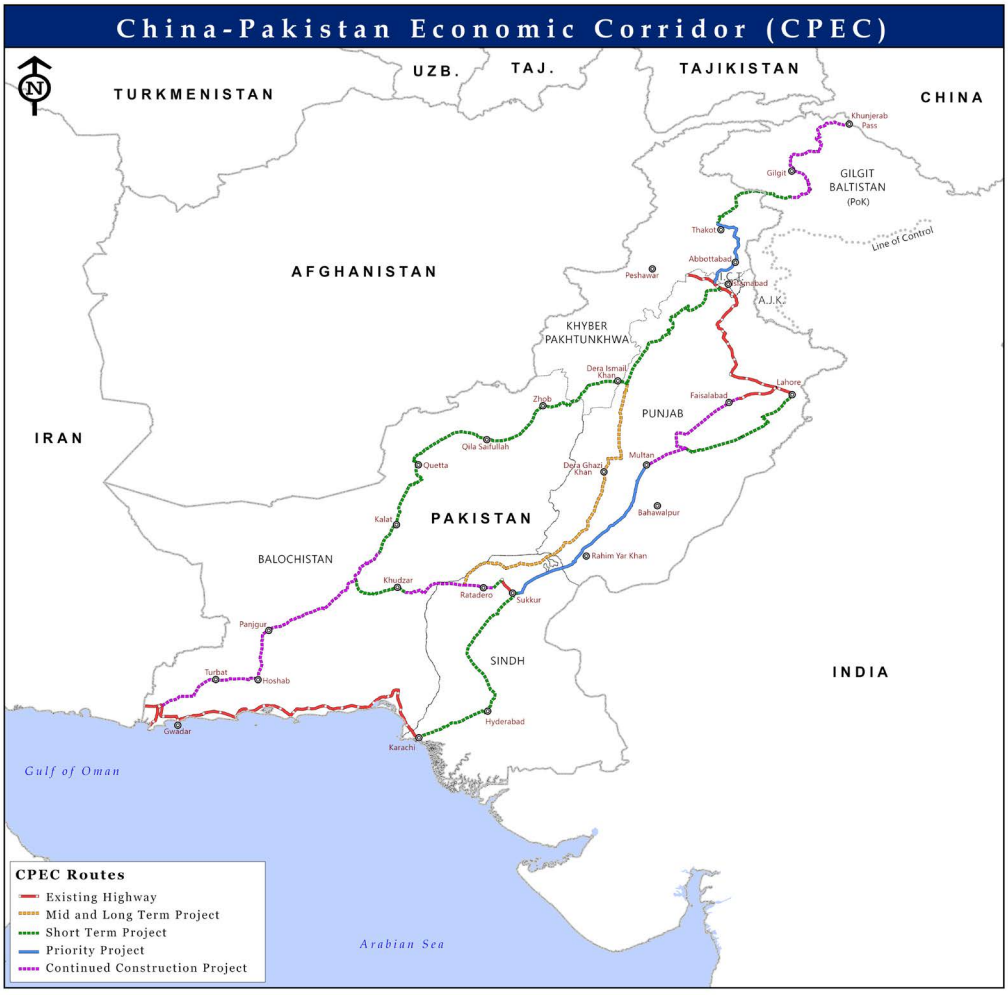
Introduction

Few connectivity initiatives in contemporary global politics have generated as much debate as the China–Pakistan Economic Corridor (CPEC). First envisioned in 2013 and formally launched in 2015 as a flagship project of China's Belt and Road Initiative (BRI), the corridor was promoted as a transformative partnership capable of modernizing Pakistan's economy, addressing chronic energy shortages, and linking Western China to the Arabian Sea through a network of roads, ports, energy plants, and industrial zones. For Pakistan's political leadership and media, CPEC quickly became synonymous with economic revival and was often described as the country's most significant "game-changing" development initiative.[1]

Yet more than a decade after its launch, the out-

comes of CPEC remain contested. While the corridor has delivered visible infrastructure projects, particularly in transportation and energy generation, the broader economic transformation promised by the initiative has been slower and more uneven than anticipated. Many projects have faced delays, renegotiations, or security challenges, while Pakistan's rising financial obligations to Chinese lenders have raised concerns about long-term economic dependency.

From Beijing's perspective, however, CPEC represents far more than a development initiative. Strategically located at the crossroads of South Asia, Central Asia, and the Middle East, Pakistan provides China with access to the Arabian Sea through the Gwadar Port (see Map) and an overland connection linking Xinjiang with Gulf energy markets. In an era of intensifying geopolitical competition and maritime vulnerability, particularly concerns associated with chokepoints such as the Strait of Malacca, CPEC offers Beijing a potential alternative route for trade and energy flows. The evolving regional environment further enhances the corridor's strategic relevance. Ongoing instability in the Middle East, including tensions involving Iran, Israel and the United States, as well as broader disruptions in Gulf geopolitics, has increased the importance of logistical routes connecting the Persian Gulf to Asia. In this context, Gwadar and the wider CPEC network could emerge as a critical node in China's broader Eurasian connectivity strategy.



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Particularly noteworthy is the extent to which the strategic communities in both Pakistan and China increasingly view this corridor through complementary lenses, suggesting the growing influence of Chinese narratives within Pakistan's knowledge community.[2] CPEC was first envisioned in 2013 through the signing of a Memorandum of Understanding. Pakistani and Chinese scholars commonly describe its implementation as proceeding in four stages: an early harvest phase from 2014 to 2018, a short-term phase from 2018 to 2020, a medium-term phase from 2020 to 2025, and a completion phase from 2025 to 2030. The CPEC Framework Agreement, signed on July 5, 2015, subsequently provided a formal basis for advancing the initiative.[3] The 2015 Agreement was followed by the establishment of the CPEC Long-Term Plan in 2017, which set out a cooperation framework extending to 2030 and included major projects such as the Main Line-1 (ML-1) Railway Project.[4] In subsequent policy and scholarly discourse, these stages have been consolidated into a broader transition from an infrastructure-focused Phase I (2015–2025) to a more industrial and development-oriented Phase II (2025–2030),[5] commonly referred to as "CPEC 2.0".[6]

These phased developments raise several critical questions. *First*, what distinguishes the outcomes of CPEC Phase I from the ambitions of Phase II? *Second*, how has China recalibrated its approach to Pakistan as financial and political challenges have emerged? *Third*, does the corridor represent a sustainable development partnership or a structural mechanism through which China consolidates long-term strategic influence in Pakistan?

Phase I: Infrastructure Expansion and Structural Limits

CPEC initially focused on developing large infrastructure projects, particularly in transportation and energy generation. The corridor's projects were designed to advance mutual interests while addressing distinct national priorities on both sides. For Pakistan, the primary objective was to address chronic infrastructure deficits and stabilize electricity supply, both of which had long constrained economic growth. In 2013, shortly before CPEC's formal launch, the economic cost of Pakistan's power outages was estimated at approximately 7 percent of GDP.[7] Pakistan therefore urgently needed to build energy infrastructure to prevent further damages and loss. For China, CPEC held significant strategic appeal. The corridor offered a potential alternative to the Malacca Strait by connecting western China to the Indian Ocean via the Gwadar Port, a deep-sea port located near the Strait of Hormuz.[8]

The first pillar of CPEC focused on infrastructure development and commenced in 2016 with the construction of large-scale highways and motorways across Pakistan.[9] The majority of transportation projects were completed between 2019 and 2022, contributing roughly 1,300 kilometers of roads, with several hundred additional kilometers still under construction.[10] The first phase of the project involved an investment of approximately USD 10 billion in seven transportation projects, including the Multan-Sukkur Motorway,[11] the Havelian-Thakot section of the Karakoram Highway,[12] and the Orange Line Metro in Lahore.[13] The cost of the Multan-Sukkur Motorway alone was around USD 2.8 billion.[14] The project successfully connected the two strategically important regions of Punjab and Sindh, significantly improving connectivity.

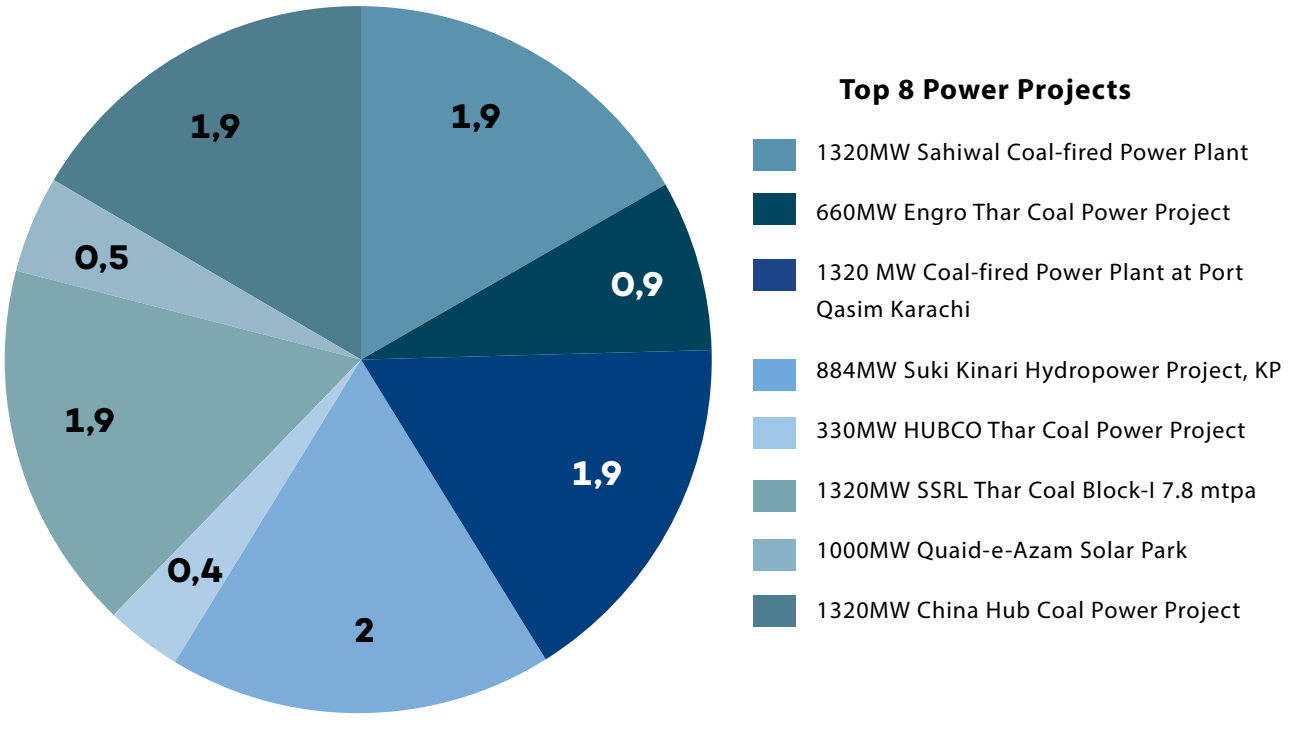
The second pillar of CPEC Phase I centered on the development of Pakistan's power sector (see Figure 1). China financed and constructed numerous coal, wind, solar, and hydropower plants across Pakistan, costing a total of USD 33 billion. Together, CPEC energy projects contribute about 25–28 TWh of electricity annually to the national grid, accounting for 22 percent of Pakistan's total generated electricity during Phase 1.[15] The backbone of this expansion

was the construction of seven coal-fired power projects between 2017 and 2019, which collectively accounted for roughly 70 percent of CPEC energy sector's investment, totaling USD 11 billion. Three facilities—the Sahiwal Coal-fired Power Plant in Punjab, the Port Qasim Coal Power Plant in Sindh, and the China Hub Coal Power Project in Balochistan — generate 1320 MW each, contributing at the time almost 23 TWh annually to the national grid. The cost of each coal-fired plant was around $2 billion, making them among the largest investments undertaken under CPEC.[16] The investment in coal-fired generation was unsurprising given that Pakistan holds 175 billion tons of coal reserves in the Thar desert, which is one of the largest reserves of coal in the world. Although coal still accounts for 15 percent of Pakistan's energy mix, the country has made efforts to diversify generation through hydropower, nuclear, wind, and solar energy.[17]

These efforts to diversify energy production were also reflected in CPEC investments. Hydropower projects constituted roughly 12 to 15 percent of CPEC's energy-sector investment during Phase 1, while wind and solar renewables made up just 8 percent of the total added generation capacity.[18] Two major hydropower projects—the 884 MW Suki Kinari Hydropower Project in Khyber Pakhtunkhwa and the 720 MW Karot Hydropower Project on the Jhelum River—generate about 6.4 TWh of electricity annually, contributing about 4.7 percent of Pakistan's annual electricity generation.[19] In addition, Pakistan has pursued renewable energy development through projects such as the Quaid-e-Azam Solar Park in Bahawalpur and multiple wind projects in the Jhimpir-Gharo wind corridor of Thatta district in Sindh province.

The third pillar of the first phase of the bilateral economic corridor focused on digital connectivity,

Figure 1: Top 8 CPEC Power Projects in Phase 1 (in USD billion)



Source: China-Pakistan Economic Corridor (CPEC) Secretariat Official Website

with the key digital infrastructure project being the 820-kilometer Cross-Border Optical Fiber Cable between Khunjerab and Rawalpindi. The optical fiber cable was aimed at reducing Pakistan's reliance on undersea cables, which are vulnerable to outages, and connecting Pakistan to China's internet backbone, a strategically significant objective for Beijing.

Together, these three pillars—transportation, energy, and digital connectivity—form the core of CPEC Phase I. However, the economic impact of CPEC projects has been constrained by several structural factors. While infrastructure construction has progressed rapidly, the broader industrial transformation has been slower to materialize. The reason for this delay lies primarily in the distribution of investments across CPEC projects. Although CPEC has attracted large investments from China—initially USD 46 billion, later increasing to USD 62 billion—approximately USD 45 billion has been designated for transportation and energy infrastructure, rather than industrial production or export-oriented manufacturing. Another concern was the so-called "debt trap." By 2025, CPEC-related debt to China accounted for nearly 22 percent of Pakistan's external debt, amounting to slightly over USD 30 billion (see Table 1).

Table 1: Pakistani Debt Situation

External Debt to China	$30 billion (excluding circular debt)
Circular Debt	$5.78 billion (including $1.51 billion owed to China)
ML-1 Railway Project Debt	$6.7 billion (China refused to pay)
Total External Debt	$138 billion (Q4 2025)

Source: Institute of Strategic Studies Islamabad, 2023; https://policyjournalofms.com/index.php/6/article/view/1545.

These structural constraints have raised concerns among policymakers and analysts regarding the long-term sustainability of the corridor.

China's Strategic Recalibration: From State Loans to Economic Entrenchment

The transition to CPEC Phase II reflects Beijing's attempt to recalibrate its strategy in response to financial, political, and security challenges encountered during the first decade of the corridor. This transition can already be observed at the framework level. The framework of CPEC 2.0 is outlined through five pillars, collectively known as the "5Es": Exports, E-Pakistan and Innovation, Environment and Climate Change, Energy and Infrastructure, and Equity and Empowerment.[20] This framework focuses on export growth, digital development, the implementation of green technologies, responses to climate change and technological advancement, and social empowerment (see Table 2).

Unlike Phase I, which relied heavily on government-to-government loans and state-owned enterprises, Phase II places greater emphasis on private-sector investment and business-to-business cooperation, opening Pakistan to international investors and foreign direct investment. In 2025 alone, Chinese and Pakistani companies signed approximately USD 8.5 billion in private investment agreements covering sectors such as electric vehicles, agriculture, and information technology.[21] Although many Chinese businesses remain reticent to invest in Pakistan because of multiple constraints; some fear instability and inconsistency in federal and provincial policies, while others cite the scarcity of viable local partners for long-term collaboration.[22]

Another major component of Phase II is the development of Special Economic Zones (SEZs) across Pakistan, with the number of SEZs increasing from 7 to 44, including the flagship 1,000-acre

Table 2: Project Categories in the CPEC

Project Category	Estimated Value	Primary Cause of Delay	Status
Power & Energy	**$6 Billion**		
300MW Coal-Fired Power Plant		Declared "excessive"	shelved
Khalifa Coastal Refinery		Pricing dispute and tax incentive	stalled
Logistics and Infrastrcuture	**~$6-9 Billion**		
Rail (ML-1)		Financing withdrawal by China.	stalled
Gwadar Eastbay Expressway pahse II		Funding gaps and security delays	stalled
Port expansion		Plan to add berths along 4.2 km have seen no progress	stalled
M-8 Motorway		Contractors have walked away because of security threats	partially stalled
Mining (Saindak/Thar)	**~$8 Billion**		
Gadani Power Project		Strategic shift + Provincial-Federal Legislative conflict	canceled
Gwadar Phase II Mega Industrial Park		No water/rail/power + Safety for workers	stalled
Security & Safe City	**~$2 Billion**		
Gwadar Safe City Project		Bureaucratic and technical delays + Safety concerns	overdue

Source : CPEC official and Secretariat, Gwadar Industrial Estate Development Authority, Energies Media.

Rashakai SEZ in Khyber Pakhtunkhwa. China has emerged as Pakistan's largest trade partner and the major source of investment, particularly in infrastructure, energy, and defense, with total bilateral trade in goods between China and Pakistan reaching USD 23.1 billion in 2024.[23] China's exports to Pakistan have increased significantly, reaching USD 14 billion in 2018, while Pakistan's exports were around USD 1.75 billion.[24] Industrial parks located in Faisalabad, Rashakai, Dhabeji, and Port Qasim are intended to attract manufacturing investment and integrate Pakistan into regional supply chains.

Another key shift in Phase II is its emphasis on green energy and green industrialization. At a conference last year, former Pakistani officials highlighted how China's investment in developing renewable energy, electric vehicles, solar panels, and related fields is critical to helping Pakistan achieve its green transition ambitions.[25] Indeed, the Chinese Consul General in Lahore is reported to have described CPEC 2.0 as centered on 'Green Growth'.[26] To achieve this transition,

Pakistan will need access to renewable technologies, critical minerals, battery systems, and low-carbon manufacturing capacity. However, significant obstacles remain. These include regulatory and policy uncertainties, insufficient transmission networks, and even foreign exchange constraints. As many of these technologies and supply chains remain concentrated among major powers like China, Pakistan's green transition under CPEC 2.0 could also create new forms of dependency even as it supports its green industrialization goals.

Taken together, these shifts suggest that Beijing is moving beyond a purely infrastructure-driven model toward deeper integration with Pakistan's domestic economy. Investment in industrial zones, mining ventures, and green technologies could allow Chinese firms to embed themselves more directly within Pakistan's economic structure. At the same time, China has expanded its involvement in Pakistan's natural resource sector. In 2025, Chinese companies concluded gold- and copper-mining deals worth roughly USD 435 million, alongside broader plans to help develop Pakistan's mineral resources.[27] China's main imports from Pakistan in 2024 were copper products, with the imports of around USD 1 billion.[28] These projects highlight Beijing's growing interest in securing access to strategic raw materials. In addition to copper, Pakistan holds some of the world's largest reserves of salt, sulphur, and coal deposits, as well as gypsum, a key mineral used in cement manufacturing.[29] In effect, Phase II may represent not merely a continuation of CPEC but a strategic deepening of China's economic footprint in Pakistan.

Elite Alignment and China's Political Influence in Pakistan

Another crucial dimension of CPEC lies in its political and institutional implications within Pakistan. From the outset, the corridor was designed as a state-level strategic partnership, overseen by joint committees and coordination mechanisms involving both governments (see Table 3). Over time, however, the governance of CPEC has become increasingly intertwined with Pakistan's political and military elites. The Pakistani military plays a central role in securing Chinese personnel and infrastructure projects. Dedicated security divisions have been established to protect CPEC installations and Chinese workers, reflecting the corridor's strategic importance to Pakistan's national leadership. However, the link between the two states' militaries does not end there. Critics point to a long history of defense cooperation as evidence that the People's Liberation Army (PLA) may be playing an active role in managing certain CPEC projects.[30] Furthermore, the involvement of the Ministry of State Security in key decision-making processes has alarmed opposition groups. As early as June 2017, a Pentagon report suggested that Gwadar could eventually serve as a Chinese military base.[31] Analysts suspect that the construction of naval facilities or "listening posts" near Arabian oil routes would allow China to monitor Indian and U.S. naval activity with unprecedented proximity.[32]

A further issue arising from CPEC's alignment with Pakistani elites is fragmentation within those elites themselves, not only between actors in the central government but also those among those in neglected provinces and different social classes. Such divisions frequently cause project delays and policy inconsistencies.[33]

China has also cultivated relationships across Pakistan's political spectrum, ensuring that support for CPEC remains strong regardless of changes in government. This alignment has created what some analysts describe as a political consensus around CPEC, in which major political parties view the corridor as a national development priority. However, the domestic reception of CPEC remains starkly uneven, particularly in regions that feel marginalized by the corridor's trajectory.

Table 3: Key Meeting Patterns on the CPEC

Meeting	Year	Pakistan Attendees	China Attendees
7th JCC Meeting	2017 (Islamabad)	**Murad Ali Shah** (Chief Minister of Sindh), **Pervez Khattak (**Chief Minister of Khyber Pakhtunkhwa), **Nawab Sanaullah Zehri** (Chief Minister of Balochistan),	**Wang Xiaotao** (Vice Chairman of the NDRC), **Kong Xuanyou** (Assistant Foreign Minister of China), **Sun Weidong** (Diplomatic Transition)
9th JCC Meeting	November 2019 (Islamabad)	**Makhdoom Khusro Bakhtiar** (Federal Minister for Planning), **Lt.Gen**(Retd) **Asim Saleem Bajwa** (Chairman CPEC Authority), **Mian Aslam Iqbal** (Punjab Provincial Minister for Industries, Commerce, and Investment), **Seniors Officials FIEDMC & PBIT**, **Syed Nasir Hussain Shah** (Sindh Minister)	**Ning Jizhe** (Vice Chairman of China's NDRC), **Yao Jing** (Chinese Ambassador to Pakistan)
1st CPEC Political Parties Forum	March 2019 (Beijing)	**Makhdoom Shah Mahmood Qureshi** (Foreign Minister of Pakistan), **Senator Mushahid Hussain Syed** (Chairman of the Senate Standing Committee on Foreign Affairs), **Senator Sherry Rehman** (Chairperson of the Senate CPEC Committee), **Amanullah Khan Yasinzai** (Governor of Balochistan Province)	**Senior Directors from the IDCPC South Asian Affairs Bureau**, **Senior Representatives from the NDRC**, **Institutional Leaders from EXIM Bank of China**, **Zhang Baozhong** (Chairman of China Overseas Ports Holding Company), **Liu Qitao** (Chairman of China Communications Construction Company), **Chen Fenjian** (Chairman of CHina Railway Construction Corporation)
12th (Special) JCC Meeting	2023 (Beijing)	**Prof. Ahsan Iqbal** (Federal Minister for Planning, Development &Special Initiatives), **Dr. Nadeem Javaid** (Chief Economist of Pakistan), **Tariq Fatemi** (Special Assistant to the Prime Minister on Foreign Affairs)	**Cong Liang** (Vice Chairman of China's National Development and Reform Commission), **Zhen Shanjie** (Chairman of NDRC)
Foreign Ministers' Strategic Dialogue	Annually	**Senator Mohammad Ishaq Dar** (Deputy Prime Minister and Foreign Minister), **Makhdoom Shah Mahmood Qureshi** (Former Foreign Minister), **Pakistan's Ambassador to China**	**Directors-General of the MFA Asian Affairs Department**, **Wang Yi** (Member of the Political Bureau of the CPC Central Committee), **Mao Ning & Lin Jian** (MFA Spokespersons / Senior Information Directors)

Meeting	Year	Pakistan Attendees	China Attendees
Internal CPEC Review Meetings	Monthly	**Awais Manzur** Sumra (Secretary of the Ministry of Planning), **Zafar-ul-Hassan** (Joint Chief Economist, Operations), **Head of the Quetta Electric Supply Company** (QESCO), **Chairman/CEO of FIEDMC**, **Head of the Special Industrial Zones Management Company** (SIEZMC), **Chairman of the Gwadar Development Authority**	Ambassador **Jiang Zaidong**, **The Economic and Commercial Counsellor, The CEO of the China Overseas Ports Holding Company**, **The National Energy Administration** (NEA) **of China**, **Representatives of Chinese Power Conglomerates** (e.g., PowerChina, China Three Gorges)

Source: Compiled by authors from official statements

In Balochistan, for instance, local populations and activists frequently accuse the Punjabi political elite of prioritizing Punjab Province at the expense of others.[34] Beyond these ethnic grievances, a growing segment of the population views Chinese initiatives as a potential constraint on national sovereignty, arguing that the partnership favors Beijing's strategic interests over the welfare of the local population. These ethnic tensions and resulting resentment have contributed to numerous attacks on CPEC sites and Chinese nationals. For example, in April 2022, a suicide bombing in Sindh killed three Chinese teachers affiliated with the University of Karachi's Confucius Institute.[35]

In Chinese academic discourse on the "Balochistan Question" (俾路支问题), Baloch political actors are often divided between moderate nationalist parties and hardline separatist groups.[36] Moderate parties such as the Balochistan National Party and the National Party are not generally seen as anti-CPEC in principle; rather, they support Chinese investment in Balochistan while criticizing Islamabad's exclusion of Baloch representatives, lack of transparency, and failure to protect local rights.[37] By contrast, hardline groups such as the Baloch Republican Party, the BSO-Azad, the Baloch Liberation Army, the Baloch Republican Army (BRA), and the Baloch Liberation Front are described as strongly opposing CPEC.[38]

The private investment focus of Phase II has heightened security concerns along the corridor, particularly for Chinese businesses.[39] These concerns became more acute after several pro-independence insurgency groups merged into the Baloch National Freedom Front (BRAS) in 2018.[40] This organization claimed that "institutions such as the Pakistan Oil and Gas Development Company Limited (OGDCL) and China are at the forefront of plundering Balochistan's natural resources."[41] As CPEC enters its second phase, protecting Chinese nationals will remain Beijing's primary concern. Attacks on Chinese-linked projects, including the March 2025 bombing of a hydropower project allegedly carried out by the Pakistani Taliban operating from Afghanistan, show that the risks extend beyond Balochistan.[42] They may also carry foreign policy implications, pressuring Islamabad to address cross-border militancy and manage its relations with Kabul more assertively.

Beyond elite networks, Beijing has also expanded its soft-power engagement in Pakistan. Recent Chinese investments have shifted toward long-term sustainable development, prioritizing industrial and economic growth over purely infrastructural projects. Projects in Gwadar, including

vocational training institutes, hospitals, desalination plants, and urban development initiatives, serve both developmental and symbolic purposes, reinforcing China's image as Pakistan's principal economic partner. This combination of economic investment, political engagement, and institutional cooperation has allowed China to build a significant degree of influence within Pakistan's governance structures.

Debt, Energy, and Infrastructure Dependency

Given the scale of investment under CPEC, Pakistan's financial relationship with China has become increasingly complex. Pakistan's external debt to China has reached roughly USD 30 billion, making Beijing one of Islamabad's largest bilateral creditors, and fueling public concerns of the "debt trap" narrative associated with CPEC.[43] In addition, Pakistan faces substantial liabilities within its domestic energy sector, where unpaid bills owed to power producers, including Chinese companies, have contributed to the country's growing circular-debt crisis.

This circular debt has surged to approximately USD 5.78 billion, triggering economic panic and necessitating repeated interventions and bailouts from the International Monetary Fund.[44] The roots of this economic and energy crisis lie in a breakdown of the value chain, where distribution companies find themselves unable to compensate power plants due to a combination of unpaid consumer bills, exchange rate fluctuations, and structural inefficiencies caused by energy theft or technical losses during transmission. These problems lead to power blackouts across the country and economic stagnation.[45] The gravity of the situation is compounded by the fact that roughly 48 percent of the power sector is privately owned, with the majority of these owners being foreign investors, primarily Chinese state-owned enterprises such as Huaneng Group.[46] Consequently, of the total circular debt, approximately USD 1.5 billion is owed to Chinese entities (see Table 1).

These financial challenges have occasionally strained relations between the two partners. In several cases, Chinese investors have expressed concerns about delayed payments and regulatory uncertainty, while Pakistan has struggled to balance its fiscal constraints with its commitments under CPEC. This tension is most visible in the stalled progress of the Main Line-1 (ML-1) Railway Project. Concerned about existing payment delays, China has refused to provide the USD 6.7 billion required for the project.[47] This funding gap has forced Pakistan to seek alternative financing from the Asian Development Bank (ADB) and the Asian Infrastructure Investment Bank (AIIB), further indebting the country in an effort to maintain its infrastructure goals.

However, Beijing has attempted to counter the international "debt-trap" narrative while simultaneously calming domestic opposition through the introduction of the "Grant-in-Aid" program, which allows certain projects to be converted into "gifts" or concessional assistance rather than high-interest loans.[48] At the same time, China's financial leverage has given Beijing significant influence over Pakistan's economic policymaking. Decisions regarding infrastructure financing, energy pricing, and industrial policy are increasingly intertwined with CPEC agreements and Chinese investment frameworks. While the corridor has undoubtedly improved Pakistan's infrastructure capacity, it has also reinforced structural dependence on Chinese financing, technology, and investment.

Gwadar, the Persian Gulf, and the Geopolitics of Corridors.

Gwadar Port remains the most strategically significant component of the CPEC framework. Located near the entrance of the Persian Gulf, Gwadar connects Pakistan's southwestern coast to international shipping routes across the Arabian Sea and Indian Ocean. Situated near the Strait of Hormuz, the port provides China with potential access to one of the world's most

important energy corridors, making Gwadar the third-largest port of Pakistan and the "crown jewel" of CPEC.[49] Chinese investments in Gwadar include port facilities, an international airport, desalination plants, industrial parks, and urban development projects designed to transform the city into a logistics hub. The port is expected to handle over one million tons of cargo annually, representing a significant increase compared with pre-CPEC cargo volumes.

Beijing's commitment to the site predates the official launch of CPEC. As early as 2001, China agreed to construct the port and link it to Karachi. The "crown-jewel" is codified in the Gwadar Smart Port City Master Plan through 2050, a USD 1-billion blueprint designed to transform a traditional fishing town into a high-tech metropolis.[50] The plan divides the city into three functional zones, including the Free Zone for logistics and manufacturing, a 2,500-acre "high-end" central business district, and residential zones. The central pillar of this multilayered integration is AI-powered surveillance and digital governance aimed at transforming Gwadar into Pakistan's first "weapon-free" and "crime-free" city. The Master Plan also sets ambitious socioeconomic objectives, such as expanding the city's population from 150,000 to two million residents, generating one million high-skilled jobs, and attracting an international upper-middle class with resort developments along the coast.[51] Currently, social infrastructure associated with the flagship port includes the University of Gwadar and the Pakistan-China Friendship Hospital.

However, progress in Gwadar has also faced significant obstacles. Security threats in Balochistan, financing disputes, and local grievances have slowed several major projects. Persistent protests have erupted over the lack of basic facilities, as critical projects, including the "Fresh Water Treatment, Water Supply and Distribution" initiative, have faced significant delays.[52] While much of the backbone infrastructure, including the new international airport and primary road networks, has been completed, several critical elements remain stalled. The most pressing hurdle is a localized power crisis driven by over-reliance on electricity imports from Iran and the rising cost of coal. These energy shortages, combined with a slow rate of business development, have created an expensive developmental vacuum. In addition, Gwadar's physical connectivity to the rest of Pakistan remains limited, as major rail projects such as the ML-1 are still largely confined to planning documents. Although the port processed approximately 1.2 million tons of cargo in 2025, a substantial increase from the pre-CPEC era, many analysts argue the facility remains underutilized.[53] Karachi continues to be the preferred port for many and getting international shipping lines to switch to Gwadar has been much harder and slower than envisioned in the Master Plan.

At the same time, the geopolitical importance of Gwadar continues to grow. As tensions in the Middle East intensify—including disputes involving Iran and concerns regarding regional energy security—the strategic value of alternative trade routes linking the Persian Gulf to Asia has increased. For China, Gwadar could eventually serve as a crucial logistical node connecting Gulf energy supplies with Western China through overland corridors.

Recognizing the strategic necessity of alternative trade routes, the Chinese and Pakistani governments have remained committed to Gwadar's development. Both governments have continuously updated plans and adjusted strategies to address emerging challenges. For example, in an effort to solve the power crisis, officials announced in February 2026 the construction of large-scale battery-storage facilities to store the power imported from Iran and generated by local solar panels, thereby stabilizing the city's power supply.

This renewed activity has caught the attention of

Gulf countries, which increasingly view CPEC as a means to diversify their own economies away from oil dependence by fostering trade links with China and Central Asia. China and the Gulf countries have also worked to normalize their diplomatic relationships over the past decade. As of 2026, Saudi Arabia has emerged as the largest Gulf investor in CPEC, accounting for 44 percent of regional investment with a USD 26 billion pledge directed toward oil refineries, petrochemical complexes, and renewable energy.[54] While flagship projects like the Aramco refinery have faced delays because of political issues, there has been a recent resurgence of Gulf investment in Pakistan since 2025. Kuwait has signed agreements totaling USD 1.7 billion in energy and water projects, Qatar has pledged USD 3 billion, and the United Arab Emirates (UAE) has committed around USD 10 billion toward the Special Economic Zones.[55]

Iran remains central to the corridor's long-term expansion plans. One objective is to connect both countries through a highway and natural gas pipeline, enabling Iran to export oil and gas to China through CPEC. Iran has already completed its portion of the pipeline on its side of the border, but Pakistan has not yet done its share of the work.[56] For a long time, Pakistani policymakers feared that closer engagement with Iran could strain relations with Saudi Arabia. However, the broader conflict between Iran and the United States, and its impact on neighboring countries, may now pose the greater challenge. Similarly, China has explored opportunities to involve Afghanistan in Belt and Road Initiative (BRI) projects linked to Pakistan, with the goal of integrating Afghanistan into the broader CPEC framework.

Yet, Afghan-Pakistani relations have continued to deteriorate, as reflected in renewed border clashes in March 2026. Bilateral relations remain constrained by cross-border terrorism, unresolved territorial disputes along the Durand Line, and repeated strikes by both sides. Ultimately, the grand regional ambitions of CPEC serve as both its greatest strength and its most significant weakness. The geopolitical complexity of the region remains so profound that extending CPEC seamlessly throughout the entire region to Central Asia appears, at present, difficult to achieve.

Summing Up: Corridor, Opportunity, or Dependency?

The first decade of CPEC illustrates both the opportunities and the contradictions inherent in large-scale connectivity initiatives in the twenty-first century. CPEC Phase I delivered visible infrastructure improvements in the transport and energy sectors, helping Pakistan address long-standing development challenges. Yet the broader economic transformation promised by the initiative has been slower than anticipated, while financial obligations and governance challenges have complicated its implementation. This gap between initial expectations and the current reality, compounded by mounting financial obligations and governance hurdles, has necessitated a significant strategic shift in the corridor's implementation.

Phase II reflects China's attempt to recalibrate the corridor by shifting toward industrial investment, private-sector engagement, and resource development. CPEC 2.0 seeks to move beyond infrastructure construction by enhancing Pakistan's export capacity through Special Economic Zones, promoting digital transformation, expanding green energy production, and strengthening human-capital development. Rather than retreating from Pakistan, Beijing appears to be embedding itself more deeply within the country's economic and strategic landscape.

However, due to persistent structural constraints, CPEC has yet to realize its full potential. Even under CPEC 2.0, many projects remain either in the "proposed" or "under implementation" phases. The reasons for this delay are both political and financial. Key obstacles include regulatory and logistical challenges associated

with relocating Chinese manufacturing firms to Pakistan, as well as persistent security concerns regarding the safety of Chinese personnel, who have increasingly become targets of local unrest. These factors have, in turn, slowed the pace of private-sector investment.

CPEC's slowdown is also a byproduct of external pressures and broader regional instability. New requirements imposed by the International Monetary Fund (IMF) have compelled Islamabad to adopt greater transparency and caution regarding external borrowing, encouraging a more fiscally prudent economic strategy. The 2019 Extended Fund Facility program, for example, required Pakistan to implement significant reforms, including adjustments to exchange rate management and energy-pricing mechanisms. While these reforms were mainly designed to bolster fiscal sustainability and reduce public debt, they also improved transparency and oversight.[57] More recently, renewed geopolitical tensions across the region have disrupted the stability necessary for large-scale industrial growth and long-term investment planning.

For Pakistan, the future of CPEC remains uncertain. The corridor offers substantial opportunities for infrastructure development and economic integration, yet it also raises concerns regarding financial sustainability and strategic dependency. Developments indicate that CPEC has become a vehicle for the gradual expansion of Chinese influence within Pakistan's domestic political economy. Although this influence does not amount to direct control, it has created structural dependencies that provide Beijing with significant leverage over key sectors of Pakistan's economic and strategic decision-making.

Ultimately, the trajectory of CPEC will depend on how effectively Pakistan manages its economic reforms, how China balances strategic ambitions against financial realities, and how regional geopolitical dynamics, from instability in the Gulf to great-power competition, shape the future of connectivity across Eurasia.

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