Institute for Security & Development Policy

CHINA-PAKISTAN ECONOMIC CORRIDOR (CPEC) FACT SHEET

Envisioned in 2013, and launched in 2015, the China-Pakistan Economic Corridor is an approximately 3,000 km strategic link connecting Xinjiang to the Arabian Sea via Gwadar Port. As a flagship of China's Belt and Road Initiative (BRI), it includes infrastructure, energy, and transport projects and aims to boost Pakistan's economy and provide China a shorter trade route to the Middle East/Africa.

~$65b

Reported Total Chinese Investment in CPEC

Investments from Gulf states

Many projects, related to CPEC, stalled for various reasons have been reactivated in early 2026, with more velocity and bigger investments, including investments from Gulf countries. Many Gulf countries are changing their type of investments with a visible new trend of buying back already built infrastructure off Pakistan to claim as Sovereign Infrastructure or FDI, diversifying Pakistan's debt.

This Map is prepared by Dr. Jagannath Panda, copyright: @jppjagannath1.

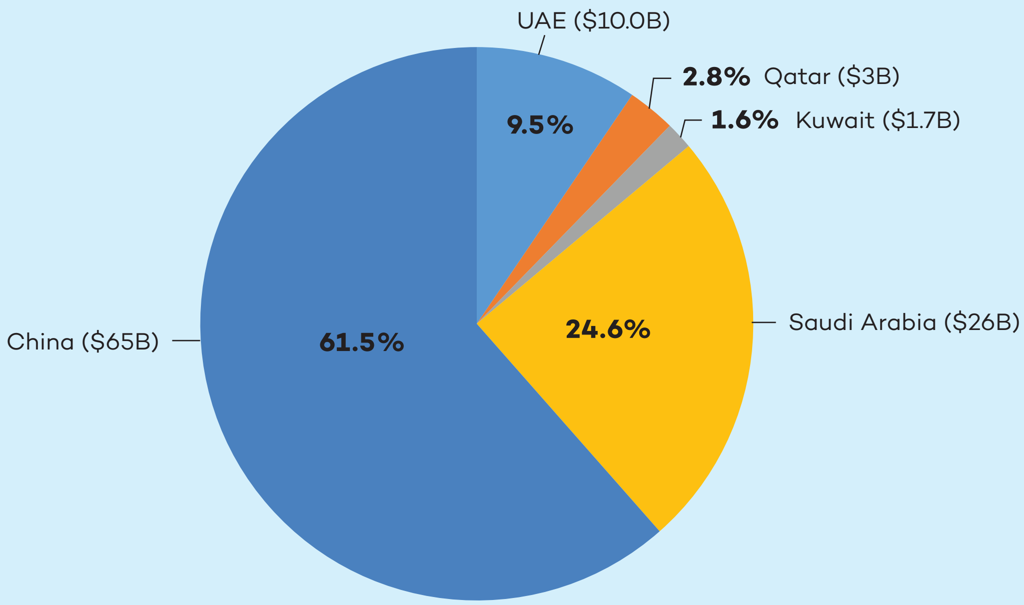
Quick Comparison: Phase I vs Phase II

Feature	Phase I	Phase II
Timeframe	2013–2022	2022-present
Focus	Infrastructure & energy	Industrialization & innovation
Investment	~$25–27B realized	~$35B planned + new deals
Key Output	Power plants, roads, Gwadar	SEZs, tech, agriculture
Model	Government-led	Private-sector driven
Goal	Remove bottlenecks	Sustainable growth & exports

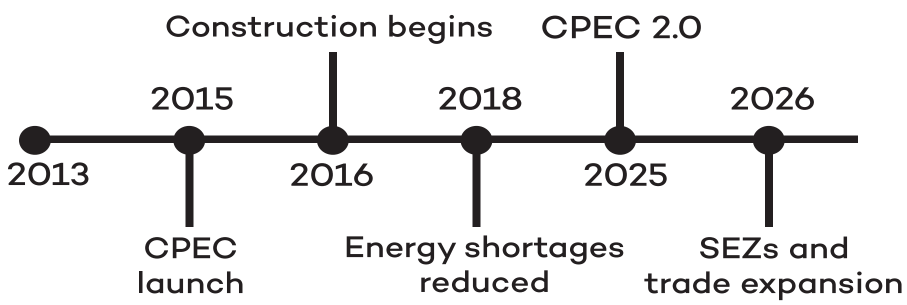
This Fact Sheet is a part of the ISDP SCSA-IPA research project, "The Silk Noose: China's Power Architecture in South Asia and the Indian Ocean Region".

Milestone dates	Main Agreements
Strategic Vision 2013	Memorandum of Understanding for the 'Long-Term Plan'
	CPEC Framework Agreement
Early Harvest 2015	51 MoUs on Energy, Infrastructure, Gwadar Port, Mass Transit (~$46 billion)
The Long-Term Plan 2017	CPEC extension to 2030
	ML-1 Railway Agreement ($8 billion)
The Industrial Phase 2019	China-Pakistan Free Trade Agreement (CPFTA) II ($14.5 billion)
Phase II 2024	SEZs
	CPEC II

Total Investment Comparison (in Billions USD) including China



CPEC Timeline



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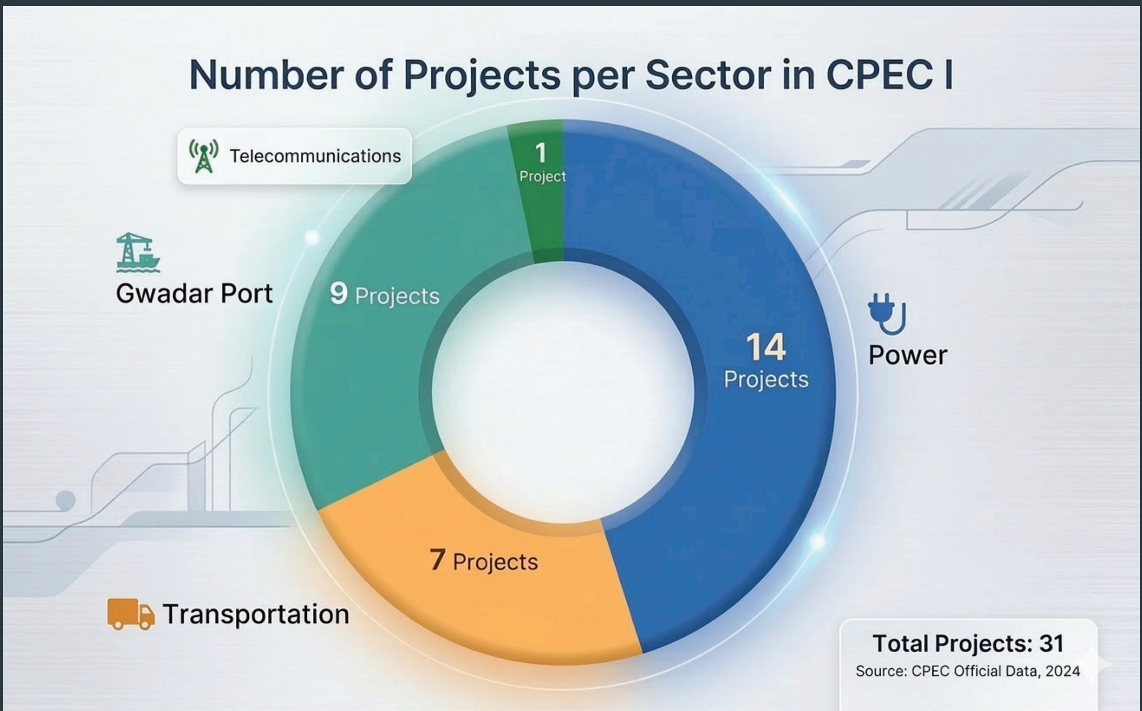
CPEC PHASE I (2013–2020/22)

KEY SECTORS

Energy (coal, hydropower, renewables) | Transport infrastructure (roads, highways, railways) | Gwadar Port development | Early industrial groundwork



Financials

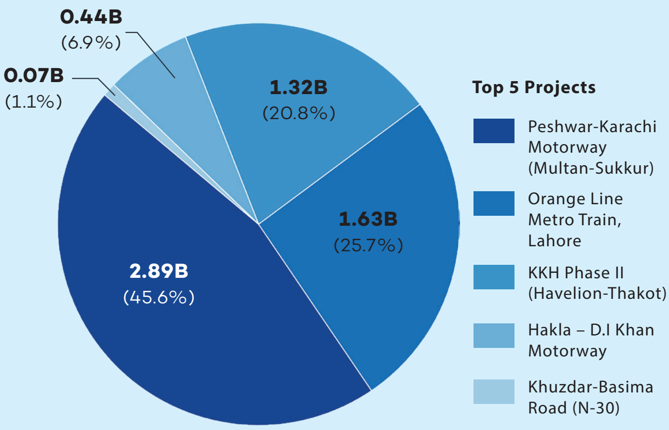
- Total planned investment: ~$46–53 billion
- Realized/committed investments:
  o ~$25–27 billion materialized
- Energy-heavy financing (majority via loans and IPP models)

Major Outputs / Data

- **Electricity generation added:** ~8,900 MW
- **Road network built:** ~888 km
- **Jobs created:** ~200,000
- Gwadar Port: Port + Free Zone + airport infrastructure

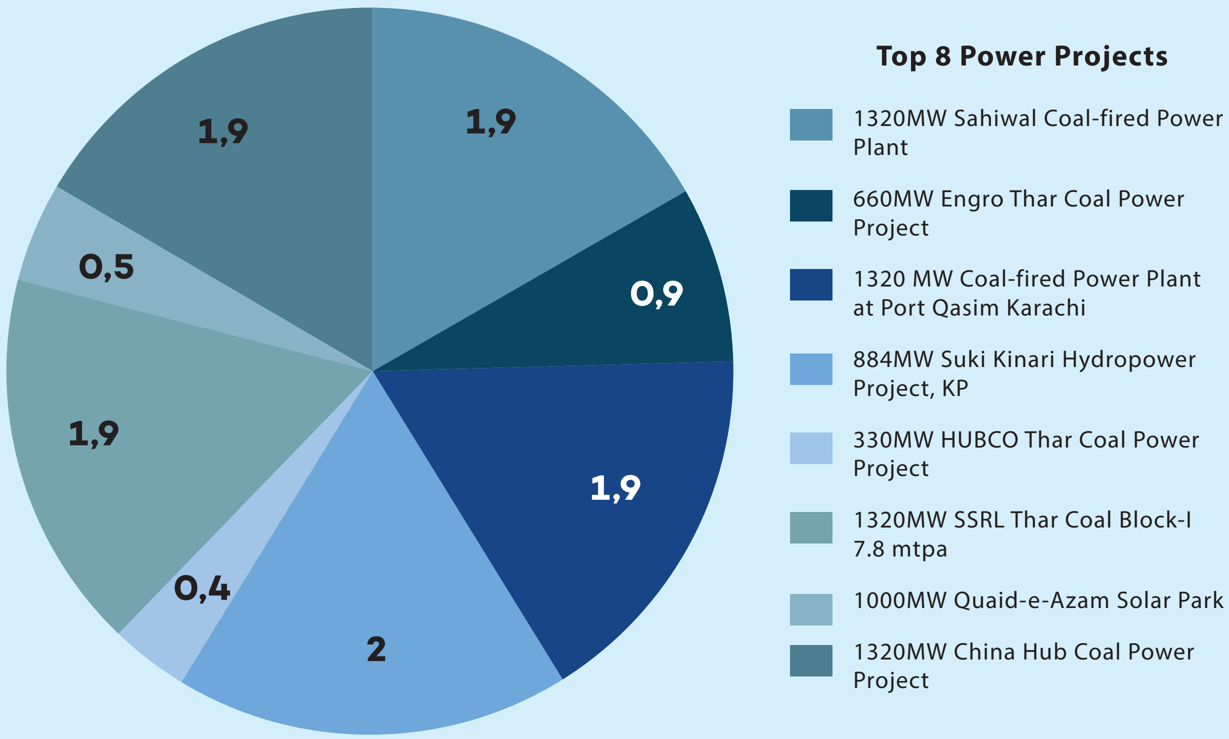
Main Transportation projects costs in USD $ Billion in CPEC I'

Top 5 Transportation Projects by Cost (CPEC Phase I) in $USD Billion



Top 8 Power Projects by Cost (CPEC Phase I)

in $USD Billion



Economic Impact

- Reduced Pakistan's energy shortages
- Improved north–south connectivity
- Estimated GDP boost: **+2–2.5% annually**

Key Limitations

- Debt sustainability concerns
- Uneven project completion rates
- Security challenges (especially in Balochistan)

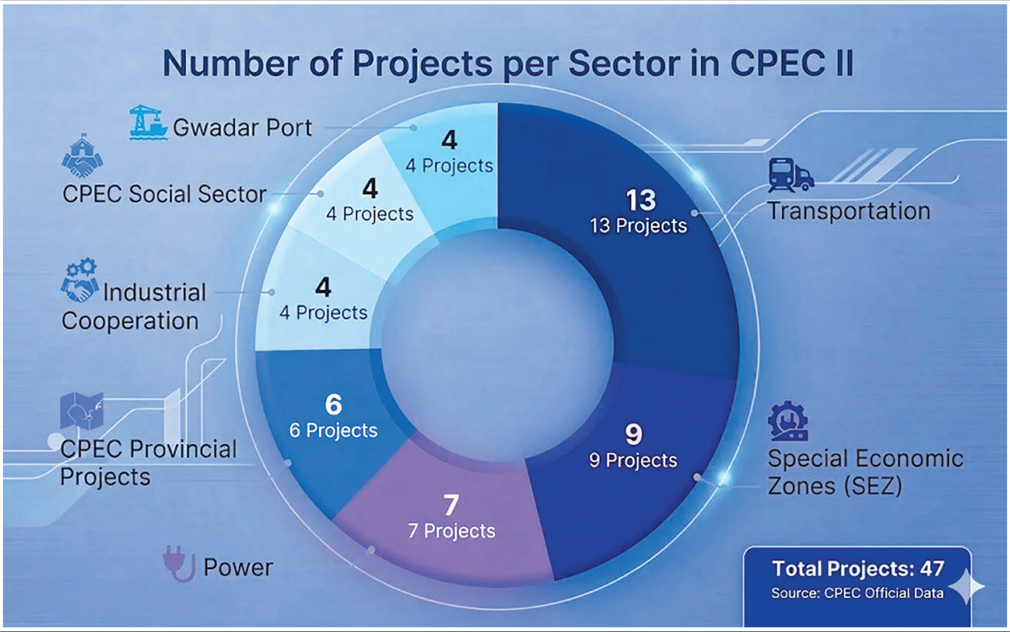
Financing Structure

- Heavy reliance on:
  - Chinese state loans
  - Independent Power Producers (IPPs)
- Additional support:
  - Currency swaps and loans (e.g., CN¥30 billion support)

Sources: Daily CPEC, Government of Pakistan (CPEC), Pakistan Today, Acqias

CPEC PHASE II (2021-PRESENT)

- **More transportation projects** in CPEC Phase II than in Phase I
- **Development of Special Economic Zones** and more specific investments in projects in Gwadar.
- **More foreign investors**, mainly the Gulf states, have joined the projects.
- **More business-to-Business (B2B) investments** in Phase II than I – B2B agreements worth $8.5 billion at the 2025 Pakistan-China Investment Conference in areas of electric vehicles, information technologies and agriculture
- **More grants** as well under the Chinese grants-in-aid



Key Focus Areas

Industrialization
- Special Economic Zones (SEZs)
- Industrial relocation from China

Agriculture
- Modern farming (hybrid seeds, irrigation tech)
- Export-oriented agriculture (e.g., sesame, chillies)

Technology & Innovation
- AI, digital governance, IT parks
- Fiber optics and digital connectivity

Green Development
- Renewable energy
- Climate-resilient agriculture

Livelihood Development
- Skills training, vocational programs
- Poverty reduction initiatives

Financials

New Project Investments

~$35 billion (planned by 2030)

Early Phase II agreements

~$4.2 billion MoUs (tech, agriculture, energy)

Additional deals

~$8.5 billion investment agreements (2025)

China grant support

~$1 billion for social sector

Key Projects / Initiatives

- ML-1 Railway upgrade (Karachi–Peshawar)
- SEZ expansion (Rashakai, Dhabeji, Allama Iqbal zones)
- Gwadar Phase II expansion
- Optical fiber backbone
- Renewable energy + agriculture corridors

Key Challenges

- Financing constraints (e.g., ML-1 delays)
- Security risks
- Slower-than-expected industrial uptake
- Debt and repayment pressures

Sources: Daily CPEC, Government of Pakistan (CPEC), Civil Society News Network, Pakistan Today, AP News, Gwadar Pro, CPEC Info, CPEC Data Sheet (Stimson/official compilation), Linkers (CPEC 2.0)

SEZs UNDER CPEC

Pakistan has significantly expanded its Special Economic Zones (SEZs) from 7 to 44, primarily under the China-Pakistan Economic Corridor (CPEC) Phase II to boost industrial growth, investment, and exports. These zones, overseen by the Board of Investment (BoI), offer various tax incentives and are designed to attract foreign, particularly Chinese, investment.

Key Aspects of Pakistan's 44 SEZs

Expansion Details: The sharp increase from 7 to 44 SEZs includes the notification of 37 new zones, focusing on shifting from infrastructure development to industrialization.

Sector Focus: The zones aim to host diverse sectors, including textiles, manufacturing, automobile, and IT, aimed at creating 1.5 million jobs.

Key Projects: Major SEZs include Rashakai Special Economic Zone (Khyber Pakhtunkhwa), Allama Iqbal Industrial City (Punjab), Dhabeji Special Economic Zone (Sindh), and Gwadar Special Economic Zone (Balochistan).

Challenges: The expansion faces challenges regarding utility provisioning, infrastructure development, and moving from the planning stage to operational status.

Image Credit: hapelinium
Shutterstock.com

Key SEZs and Locations

Sindh: Karachi Export Processing Zone, Dhabeji Special Economic Zone, Khairpur Special Economic Zone.

Punjab: Allama Iqbal Industrial City, Quaid-e-Azam Business Park, Punjab Small Industries Corporation (PSIC) Zones.

Khyber Pakhtunkhwa (KP): Rashakai Special Economic Zone, Gadoon Economic Zone, Hathar Economic Zone.

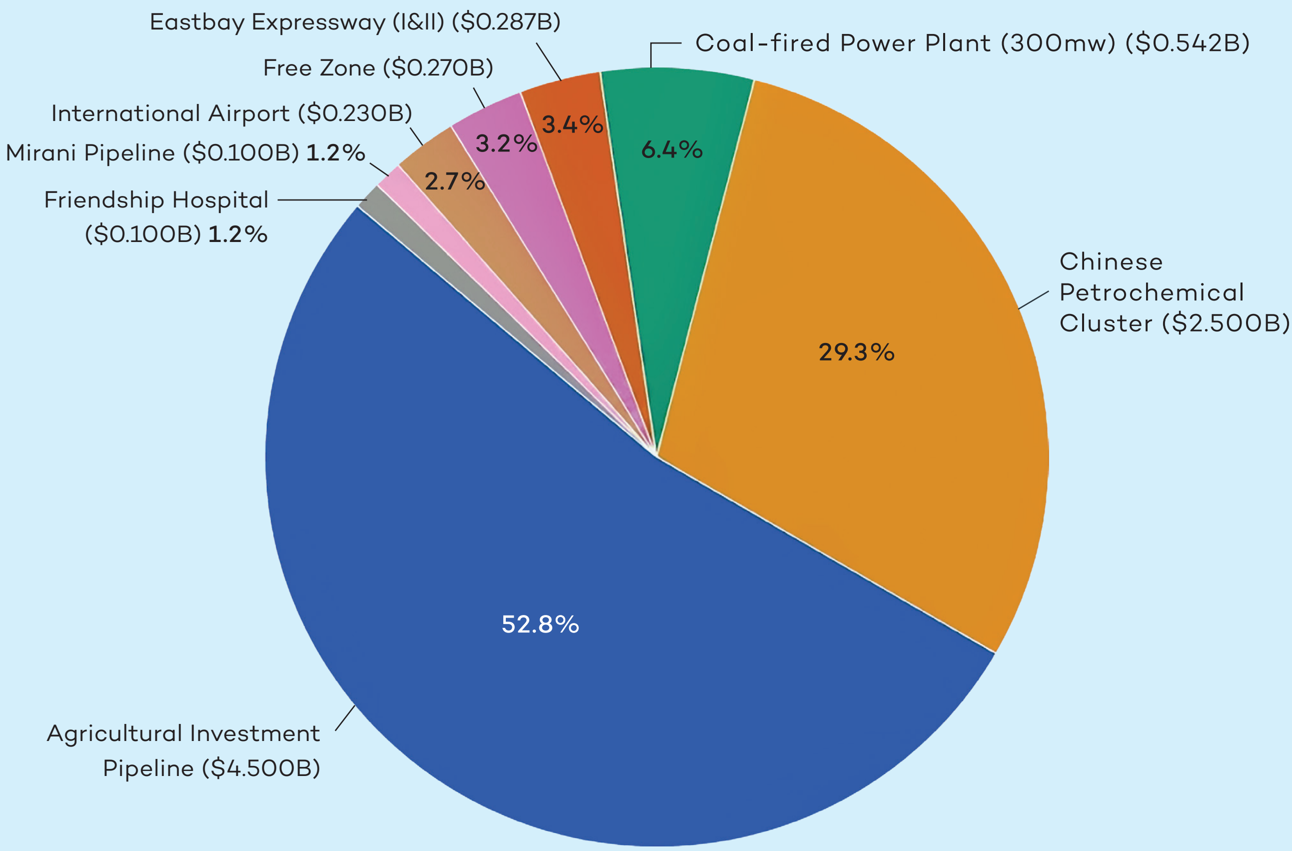
Balochistan: Gwadar Special Economic Zone, Bostan Special Economic Zone.

Other Regions: Islamabad Model Special Economic Zone, Mirpur Industrial Zone

Sources: Board of Investment Special Economic Zone Framework in Pakistan, https://invest.gov.pk/sez; Freitas, de Geoff, “Pakistan Fast-Tracks Development of Nine SEZs in the BRI-Backed CPEC,” https://research.hktdc.com/en/article/MzIwODI0MzA3; Government of Pakistan, CPEC

GWADAR IN FOCUS

Types of projects in Gwadar



Status of Gwadar Projects

Projects	Status	investment	Cost
Eastbay Expressway	completed	interest free loan - over 20 years	USD $ 179 Million
Eastbay Expressway II	in progress	95% Chinese Grant	USD $ 108 million
Pak-China Technical and Vocational Institute	Completed	Gift	USD $ 10 million
coal-fired power plant 300mw	expected completion December 2026	B2B	USD $ 542 Million
MGD Seawater Desalination Plant	completed	Grant-ind-Aid	USD $ 12.7 Million
Mirani Pipeline	approved	Grant-in-Aid	USD $ 100 Million
Internal Distribution Network	completed / operational	Grant-in-Aid	USD $ 40 Million
Aquaculture Hub	completed	B2B	USD $ 12 Million
Edible Oil Refinery	completed	B2B	part of 270M investment
Agricultural investment pipeline	Almost finished	B2B	USD $ 4.5 Billion
Hengeng Food Unit	completed / operational	100% Chinese Henggeng Trade Company	
international airport	completed / operational	Grant in Aid	USD $ 230 Million
Friendship Hospital	completed	Grant in Aid	USD $ 100 Million
Chinese Petrochemical Cluster	in progress	B2B	USD $ 2.5 Billion
Free Zone	in progress	B2B	US $ 270 Million

Sources : CPEC Secretariat, Dawn, Arab News, Balochistan News

KEY CHALLENGES BEFORE CPEC 2.0

Table 1 : Key Challenges in the transition to green energy Pakistan

Challenges	Limits
High Investment Requirements	USD 1 trillion needed for renewable infrastructure worldwide; USD 3-6 trillion by 2050.
Debt Accumulation in Energy Sector	High debt to Chinese IPPs (USD 493 billion) hinders new projects.
Regulatory and Policy Uncertainty	Frequent policy changes create an unpredictable environment.
Insufficient Transmission Networks	Current networks limit the growth of renewable energy.
Limited Local Investment Opportunities	Scarcity of viable local partners restricts investments.
Complex Taxation and Bureaucratic Procedures	High taxes and complicated regulations deter investors.
Technical Challenges in Wind Power	Curtailment issues and technical hurdles impact growth.
Foreign Exchange and Financial Planning Issues	Uncertainty in currency availability complicates investments.
	Growing green bond market can channel finance into clean energy projects
	Lack of clear decision-making processes.
	Ambiguity in regulatory processes delays project approvals.
Investor Confidence Erosion	Policy inconsistency undermines trust among investors.

Table 2. Challenges for Strategic Fusion (CPEC- EPakistan Vision)

	Core Problematic Factors	Strategic Consequences
Institutional Silos	Departments operating with misaligned goals, disparate priorities, and isolated reporting mechanism	Loss of synergy, duplicated efforts, and fragmented decision-making due to high levels of compartmentalization.
Capacity Gaps	Critical shortages in specialized human capital, particularly in digital tech, industrial planning, andienewable energy sectors.	Suboptimal project design, weakened contract negotiations, execution delays, and insufficient oversight of Chinese partnerships.
Provincial-Federal Tensions	Inter-provincial competition for investments and disputes regarding the equitable distribution of national resources.	Erosion of national cohesion and inclusive development, potentially jeopardizing the overall stability of the Strategic Fusion.
Debt Sustainability	The imperative for stringent financial management to ensure the viability of long-term debt repayment.	Escalating reliance on foreign borrowing, resulting in a restricted fiscal space that hinders social and economic investment.

Table 3. Challenges, Constraints and Barriers to Investments in CPEC phase II (B2B).

B2B & Operational Challenges	Investment & Sector Constraints	Financial & Mobilization Barriers
• Frequent, inconsistent changes in federal and provincial power policies.	• Lack of policy clarity and difficulty identifying key decision-makers.	• Stringent taxation and complex regulations increasing financial burdens.
• Uncertainty in foreign exchange (FX) availability for financial planning.	• Accumulating debt to Chinese Independent Power Producers (IPPs).	• Bureaucratic hurdles in capital movement and FX transactions.
• Insufficient transmission networks and technical growth gaps.	• Curtailment issues in the wind sector disrupting stability.	• Scarcity of viable local partners for long-term collaboration.
• Complex, slow approval processes for renewable energy projects.	• Shutdown threats (e.g., Port Qasim) due to government defaults.	• Limited local investment opportunities to diversify portfolios.
• Lack of deep understanding regarding Chinese investors' specific expertise.	• Support for green debt swaps is siloed within specific ministries (NDRC/Planning).	• High reliance on external resources due to local partner scarcity.

Source : Accelerating Green Energy Transition under China–Pakistan Economic Corridor 2.0 † Zona Usmani 1,, Sadia Satti 1 and Muhammad Zulfiqar Strategic Fusion of 5E's and 5C's Under CPEC 2.0: A Roadmap to Economic Development, 2025. Mahnoor Javed1 , Hadia Safeer Choudhry2 & Saba Farah*