Institute for Security & Development Policy

From Silk Cage to Silk Noose-I

CPEC and China's Strategic Web: Power, Connectivity, and Control in Pakistan and Beyond

Edited by
Jagannath Panda

Stockholm Paper | August 2026

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Västra Finnbodavägen 2, 131 30 Stockholm-Nacka, Sweden
Tel. +46-841056953; Fax. +46-86403370
Email: info@isdp.eu

Editorial correspondence should be directed to the address provided above (preferably by email).

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Acknowledgements

This Stockholm Paper marks the first publication in the Stockholm Center for South Asian and Indo-Pacific Affairs' (SCSA-IPA) flagship research project, *The Silk Noose: China's Power Architecture in South Asia and the Indian Ocean Region*. By examining the evolving strategic, political, economic, technological, and security dimensions of the China-Pakistan Economic Corridor (CPEC), this volume seeks to contribute to a deeper understanding of China's expanding influence in South Asia and the wider Indian Ocean Region.

This publication would not have been possible without the dedication and intellectual commitment of all the contributors, who generously shared their expertise and produced insightful analyses despite demanding professional commitments. Their scholarship has enriched this volume and strengthened its interdisciplinary character.

The research presented here has also benefited immensely from a series of private, confidential consultations and off-the-record discussions with subject specialists, policymakers, European parliamentarians, diplomats, security practitioners, and officials from across the Indo-Pacific region. While many of these exchanges cannot be directly attributed, they have significantly shaped the analytical perspectives, policy assessments, and strategic recommendations contained in this report.

Equally important has been the contribution of the SCSA-IPA's *Silk Cage* webinar series, which brought together internationally recognised scholars, practitioners, and regional experts to debate China's expanding strategic footprint in South Asia and the Indian Ocean. The insightful observations and specialised perspectives shared during these discussions have informed as well as shaped several aspects of this publication, particularly in understanding the changing dynamics of connectivity, strategic competition, and regional order.

List of Contributors

Jagannath Panda is the Head of the Stockholm Center for South Asian and Indo-Pacific Affairs (SCSA-IPA) at the Institute for Security and Development Policy, Sweden, and a Senior Fellow at The Hague Centre for Strategic Studies, The Netherlands. He is also the Director for Europe-Asia Research Cooperation at the Yokosuka Council on Asia-Pacific Studies (YCAPS). He has testified to the US-China Economic and Security Review Commission at the US Congress on 'China and South Asia' and is listed as India's Strategic Affairs Thinkers of the Next Decade by The Print. He is the Series Editor for Routledge Studies on Think Asia.

John S. Van Oudenaren is a Research Analyst at BluePath Labs LLC, and a former Editor of China Brief at The Jamestown Foundation. Prior to joining Jamestown, Mr. Van Oudenaren was Assistant Director for Political and Security Affairs at the National Bureau of Asian Research (NBR). He has previously worked at the Center for the National Interest, the Asia Society Policy Institute, and the U.S. National Defense University.

Jiayi Zhou is a Senior Researcher at the Stockholm International Peace Research Institute (SIPRI), working on research topics at the intersection of geopolitics and sustainable development. She has held fellowship positions with, among others, the Kennan Institute of the Wilson Center, the Bank of Finland's Institute of Transition Economics (BOFIT), Pacific Forum CSIS, and the Stanford US-Russia Forum. She holds a PhD in Environmental Science from Linköping University.

Scott N. Romaniuk is a Senior Research Fellow at the Centre for Contemporary Asia Studies, Corvinus Institute for Advanced Studies (CIAS), and the Department of International Relations, Institute of Global Studies, Corvinus University of Budapest, Hungary. He is also a Senior Researcher at Óbuda University, Hungary, and a Non-Resident Fellow at The Dialogue, India. His research focuses on international relations, geopolitics, and critical security studies, with particular emphasis on the Indo-Pacific (including East and Southeast Asia), Africa, and the Middle East.

Niklas Swanström is the Executive Director of the Institute for Security and Development Policy, and one of its co-founders. He is a Fellow at the Foreign Policy Institute of the Paul H. Nitze School of Advanced International Studies (SAIS) and a Senior Associate Research Fellow at the Italian Institute for International Political Studies (ISPI). His main areas of expertise are Supply Chain Security, Cyber Warfare and disinformation; Chinese foreign policy and security in Northeast Asia; the Belt and Road Initiative, traditional and non-traditional security threats and its effect on regional and national security as well as conflict prevention, conflict management. He has authored, co-authored and edited a number of books.

Anne Weiler is a former intern at the Center for South Asia and Indo-Pacific Affairs at the ISDP. She holds a Bachelor of History with a specialization in Globalization and International Relations from the University of Utrecht. Her main interests are Security, Defense, and East Asia, mainly Japan.

Sevil Khikmatova is a former intern at the Center for South Asian and Indo-Pacific Affairs at the ISDP. She is in her final year of MSocSc in East Asian Studies at the University of Turku. Her Master's thesis focuses on Japan's energy transition frameworks domestically and internationally.

Tristan Eng is an Associated Junior Research Fellow with the Stockholm Center for South Asian and Indo-Pacific Affairs. He is a practicing lawyer in regional Victoria, Australia, passionate about ensuring regional Australian perspectives are represented in international legal and strategic debates. His research and experience span international law, maritime security, and regional governance in the Indo-Pacific.

Sriparna Pathak is an Associate Professor and the founding Director of the Centre for Northeast Asian Studies in the Jindal School of International Affairs (JSIA) of O.P. Jindal Global University, (JGU) Haryana, India. Her areas of interest are China's domestic economy, trade and economic relations between India and China and China's foreign policy and economic linkages with the world. She is currently working on a project on China's influence operations in India.

Ajay Darshan Behera is the Director of MMAJ Academy of International Studies, Jamia Millia Islamia University, New Delhi. Until recently, he served as the Coordinator of its Centre for Pakistan Studies. Previously, he held several academic and research positions, including Officiating Director of the Centre for Strategic and Regional Studies at the University of Jammu, Assistant Research Professor at the Centre for Policy Research (CPR), New Delhi, and Fellow at the Institute for Defence Studies and Analyses (IDSA), New Delhi. He was awarded the Kodikara Fellowship by the Regional Centre for Strategic Studies, Colombo, in 1996. He has also been a Visiting Fellow at the University of Illinois at Urbana-Champaign and at the Brookings Institution, Washington, D.C.

Seong Hyeon Choi is a Research Fellow at the Central European Institute of Asian Studies in Bratislava and is a reporter with the South China Morning Post based in Hong Kong, covering Chinese military and diplomatic news. He graduated with a bachelor of journalism and master of international and public affairs from the University of Hong Kong. He worked as a research intern for Korea Chair at U.S. foreign policy think tank Center for Strategic and International Studies (CSIS), and as a news trainee for NK News.

Ratish Mehta is a Senior Research Associate at the Organisation for Research on China and Asia (ORCA), India. Mehta's areas of interest include understanding the role of narratives, rhetoric, and ideology in state and non-state interactions, deconstructing political narratives in global affairs, as well as focusing on India's foreign policy interests in the Global South and South Asia. He is also the co-convenor of ORCA's Global Conference on New Sinology (GCNS), India's premier dialogue-driven China conference. He is an alumnus of Ambedkar University, Delhi.

Brendon J. Cannon is an Associate Professor of International Security at Khalifa University, Abu Dhabi, UAE. He earned a Ph.D. in Political Science from the University of Utah, USA (2009) and held previous academic positions in Tokyo and Nairobi. His research is at the nexus of international relations, security studies, and geopolitics. He has published on topics related to regional security and geopolitics, the arms industry, and shifting distributions of power across the Indo-Pacific.

Aadil Brar is a geopolitical analyst and a former journalist focused on China, South Asia, and contested borderlands, currently based in Taipei. He previously worked as a TV reporter with TaiwanPlus News. He covered China for Newsweek, after earlier roles at BBC World Service and as a columnist for The Print India, experience that now informs his analytical and long-form work. Brar holds an MSc. in International Politics from the School of Oriental and African Studies in London and a bachelor's degree in anthropology from the University of British Columbia. He was previously a National Geographic Young Explorer, having received the Young Explorer Grant in 2016 for research in India's eastern Himalayas.

Abbreviations

ADB	Asian Development Bank
AIIB	Asian Infrastructure Investment Bank
ASEAN	Association of Southeast Asian Nations
BRA	Baloch Republican Army
BRAS	Baloch National Freedom Front
BRI	Belt and Road Initiative
COPHC	China Overseas Port Holding Company
CPC	Communist Party of China
CPEC	China-Pakistan Economic Corridor
CRBC	China Road and Bridge Corporation
CSIS	Center for Strategic and International Studies
DSEZ	Dhabeji Special Economic Zone
DTMB	Digital Terrestrial Multimedia Broadcast
ETIM	East Turkistan Islamic Movement
FATF	Financial Action Task Force
FIEDMC	Faisalabad Industrial Estate Development and Management Company
FOIP	Free and Open Indo-Pacific
GCI	Global Civilization Initiative
GDI	Global Development Initiative
GDP	Gross Domestic Product
GGI	Global Governance Initiative
GPS	Global Positioning System
GSI	Global Security Initiative
HIT	Heavy Industries Taxila
IAEA	International Atomic Energy Agency
ICT	Information and Communication Technology
INSTC	International North-South Transport Corridor
IOR	Indian Ocean Region

ISKP	Islamic State – Khorasan Province
JCC	Joint Cooperation Committee
KKH	Karakoram Highway
KPEZDMC	Khyber Pakhtunkhwa Economic Zone Development and Management Company
LAC	Line of Actual Control
MAHASAGAR	Mutual and Holistic Advancement for Security and Growth Across Regions
MBT	Main Battle Tank
MCC	Metallurgical Corporation of China
ML-1	Main Line-1 railway
MoU	Memorandum of Understanding
MSR	Maritime Silk Road
MW	Megawatts
NATO	North Atlantic Treaty Organization
NORINCO	China North Industries Corporation
OBOR	One Belt One Road
OECD	Organisation for Economic Co-operation and Development
OGDCL	Pakistan Oil and Gas Development Company Limited
PLA	People's Liberation Army
PLAN	PLA Navy
PNT	Positioning, Navigation, and Timing
PPP	Public-Private Partnership
PQEPC	Port Qasim Electric Power Company (Private) Limited
PRC	People's Republic of China's
PSAI	Port of Singapore Authority International
PTA	Pakistan Telecommunication Authority
QASP	Quaid-e-Azam Solar Park
R2P	Responsibility to Protect
RATS	Regional Anti-Terrorist Structure
RSEZDOC	Rashakai Special Economic Zone Development and Operations Company (Pvt.) Limited
SAARC	South Asian Association for Regional Cooperation
SAGAR	Security and Growth for All in the Region

SCO	Shanghai Cooperation Organisation
SCO	Special Communications Organization
SDG	Sustainable Development Goal
SEZ	Special Economic Zone
SLOC	Sea Lines of Communications
SUPARCO	Space and Upper Atmosphere Research Commission
TIP	Turkistan Islamic Party
TTP	Tehreek-i-Taliban Pakistan
U.S.	United States
UAE	United Arab Emirates
UN	United Nations
UNGA	United Nations General Assembly
UNHRC	United Nations Human Rights Council
UNSC	United Nations Security Council
XUAR	Xinjiang Uygur Autonomous Region

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List of Chinese Terms

All-weather strategic partnership	全天候合作伙伴
Balochistan issue	俾路支问题
Belt and Road Initiative	一帶一路
China–Pakistan Economic Corridor	中巴经济走廊
Cold War mentality	冷战思维
Community with a shared future for mankind	人类命运共同体
C-shaped encirclement	C形包围圈
De-geopoliticization	去地缘化
Early-harvest	早期收获
Flagship project	旗舰项目
Four-in-one	四位一体
Global Civilization Initiative	全球文明倡议
Global Development Initiative	全球发展倡议
Global Governance Initiative	全球治理倡议
Global Security Initiative	全球安全倡议
Indivisible security	安全不可分割
Iron or sword brothers	铁杆兄弟
Line of Actual Control	中印边境实际控制线
Link and Act West	向西连接与行动
Non-interventionist	不干涉主义
Safe City	平安城市
Shanghai Cooperation Organisation	海合作组织

Executive Summary and Policy Recommendations

This Stockholm Paper is the first in the Silk Noose series, an ongoing enquiry into how Chinese connectivity projects convert development finance into durable strategic control. It examines the China-Pakistan Economic Corridor (CPEC) not as a bilateral development program but as the most advanced expression of Chinese regional statecraft anywhere in the world.

Drawing on twelve chapters by specialists and scholars on the subject in China studies, Pakistan studies, geopolitics, defense, economics, technology, and governance, it traces how connectivity, finance, technology, security cooperation, and normative discourse have been combined into a single instrument of influence.

The cumulative evidence points to a consistent pattern: infrastructure has delivered visible assets but limited transformation, while the accompanying debt, technological standards, security arrangements, and diplomatic obligations have progressively narrowed Pakistan's room for independent decision-making. The findings below set out that pattern; the recommendations that follow are addressed to Pakistan, to India and its partners, and to the wider South Asian and Indian Ocean community.

Part I: Key Findings

1. **South Asia has become the pivot of China's westward strategy, and Pakistan its principal testing ground.** What was once a peripheral theater in Beijing's calculations now functions as a bridge linking continental ambitions to maritime power projection across the Indian Ocean. Through the Belt and Road Initiative (BRI) and the four Global Initiatives, China has embedded the region within a wider project of reshaping global governance rather than merely financing roads and power plants. CPEC is the most integrated expression of that project, combining finance, industry, technology, security cooperation, and normative discourse in a single package. The trajectory of CPEC Phase II will therefore shape regional debates on sovereignty, economic resilience, and the balance of power well beyond the China-Pakistan relationship.

2. **The corridor's most consequential instruments are its least visible ones.** Public attention has fixed on highways, power plants, and port berths, while the mechanisms that actually generate leverage sit in documents that are never published.

Confidentiality clauses, collateralized revenue streams, cross-default provisions, sovereign immunity waivers, and arbitration seated in Chinese venues convert ordinary commercial agreements into instruments of political constraint. Alongside these run quieter channels: currency swap lines, and central bank deposits that make monetary stability contingent on Beijing's goodwill, technical standards that lock in equipment ecosystems for decades, and training programs, scholarships, party-to-party exchanges, and media partnerships that influence the officials and shape the narratives that will later evaluate Chinese proposals. The corridor's binding effects are contractual, technical, and institutional, and they accumulate precisely because they are invisible to the debate that infrastructure attracts.

3. **Visible infrastructure has not produced sustainable economic transformation.** The CPEC has measurably improved Pakistan's transport, energy, and digital infrastructure, and those gains are real. They have not, however, translated into broad-based industrial growth, export competitiveness, technological upgrading, or durable employment. The Special Economic Zones intended to convert connectivity into manufacturing capacity have largely underperformed, hampered by delays, unreliable utilities, regulatory uncertainty, and weak federal-provincial coordination. A decade on, the gap between announced commitments and measurable developmental outcomes has widened rather than closed. The corridor has changed what Pakistan looks like far more than it has changed what Pakistan produces.

4. **Debt, opacity and asymmetric financing have created a structural architecture of dependence.** The financing terms underpinning CPEC projects remain largely undisclosed, limiting parliamentary scrutiny, independent audit, and informed public debate. Sovereign guarantees, capacity payments, and repayment obligations have compounded Pakistan's fiscal vulnerability at a time of recurring balance-of-payments crises. Because relief and rollover depend heavily on a single creditor, economic distress converts directly into political leverage. Dependence has therefore been produced not by any single project but by the cumulative structure of financing, guarantees and refinancing that surrounds them.

5. **Digital and technological cooperation is generating dependence in the domain that matters most.** CPEC has evolved from a transport corridor into a platform for digital integration spanning fiber-optic backbones, telecommunications standards, surveillance platforms, satellite navigation, and space cooperation. Persistent threats to corridor projects have accelerated this shift, allowing surveillance technology to be presented simultaneously as economic modernization and as asset protection. Adoption of Chinese standards, navigation systems, and network equipment is

difficult and costly to reverse once embedded in national infrastructure. The result is a technological ecosystem that shapes Pakistan's governance practices, internal security architecture, and future innovation choices. In an era where competition is shifting into the digital domain, this dependence is more consequential than any port or highway.

6. **Defense ties have moved from arms sales to military-industrial integration.** The relationship now encompasses technology transfer, joint production, doctrinal alignment, and growing interoperability between the two militaries. Pakistan has become an important proving ground for Chinese aircraft, missiles, drones, and naval platforms, giving Beijing operational validation of emerging systems while deepening Islamabad's reliance on a single supplier ecosystem. Defense modernization is closely tied to protecting CPEC assets and securing maritime connectivity across the Arabian Sea. Emerging trilateral defense interactions, notably with Turkey, indicate flexible partnerships built around complementary industrial capacity. Maritime cooperation, including submarine programs and Gwadar-linked logistics, is becoming the defining dimension of the partnership.

7. **Gwadar demonstrates control by other means rather than commercial success.** Judged as a port, Gwadar has consistently underperformed against projected throughput, industrial activity and local employment. Judged as a strategic instrument, it has delivered a foothold at the mouth of the Persian Gulf, a node in China's continental-maritime integration and an expanding security presence justified by the need to protect Chinese personnel and assets. This is the corridor's central lesson: economic infrastructure can generate political influence, security dependence, and strategic access without territorial control or formal basing rights. Commercial viability and strategic value are not the same measure, and assessments that use only the first will consistently misread the second.

8. **Multilateral institutions have been used to shield rather than to solve.** Beijing has treated international organizations as instruments for protecting Pakistan's geopolitical position, particularly on terrorism listings, sanctions mechanisms, and financial compliance. This creates a visible gap between China's declared commitment to international norms and its conduct within global governance bodies. The effect extends beyond the two states, deepening strategic mistrust and weakening confidence in consensus-based institutions among affected countries. Where technical assessments are diluted by political considerations, the credibility of the underlying regime erodes for every member.

9. **Domestic costs of the corridor fall unevenly and have been managed through securitization.** Benefits have concentrated in Punjab and parts of Sindh, while Balochistan and Gilgit-Baltistan have experienced displacement, environmental degradation, and exclusion from decision-making despite hosting the corridor's most strategically significant assets. Centralized planning, limited disclosure, and minimal provincial consultation have weakened public confidence and fueled local grievance. The state's response has relied predominantly on military protection rather than political accommodation, intensifying tensions between communities and the center. Stability built on protection rather than participation remains fragile and expensive to maintain.

10. **CPEC 2.0's westward extension into Afghanistan exposes the limits of the model.** The corridor's next phase emphasizes industrial integration, digital connectivity and expansion towards Central and West Asia, with Afghanistan's inclusion signaling wider ambitions. Beijing's engagement with the Taliban administration has nonetheless been cautious and transactional, aimed at securing its western frontier and preserving future access to critical minerals while avoiding responsibility for reconstruction. Implementation has stalled amid insecurity, governance deficits and unresolved Pakistan-Afghanistan disputes over borders and cross-border militancy. Economic engagement alone cannot resolve these tensions, and Islamabad's instability has exposed the structural weakness of the connectivity vision it anchors.

11. **Normative initiatives supply narrative rather than institutional substance.** The Global Development, Security and Civilization Initiatives articulate an aspiration to reshape international governance, but they function largely as extensions of established Chinese diplomatic messaging rather than as new institutional machinery. Their influence derives from China's material weight and its adaptability across differing political systems, not from binding mechanisms or independent capacity. In the Indian Ocean this has not produced a dominant regional order; it has produced a more competitive environment in which states diversify partnerships to preserve flexibility. Regional responses accordingly remain uneven, shaped by domestic priorities and by concern over the terms attached to Chinese engagement.

Part II: Policy Recommendations

1. **Assess connectivity initiatives as strategic architecture, not infrastructure economics.** Governments should apply a full-spectrum test to major connectivity projects, evaluating cumulative implications for governance, fiscal exposure, technological dependence, security partnerships, and strategic autonomy. Project-by-project appraisal systematically underestimates aggregate effects, because

leverage accumulates across financing, standards, and security arrangements rather than within any single contract. South Asian and Indian Ocean states should invest in standing strategic assessment mechanisms capable of reviewing such initiatives before long-term commitments are signed. Policymakers should likewise evaluate China's ports, corridors, and digital infrastructure as one integrated network, since responses to individual assets will always be outpaced by the system they belong to.

2. **Read the contract, not the ribbon-cutting: establish national red lines on BRI loan terms.** South Asian and Indian Ocean governments should legislate a minimum set of non-negotiable terms before any sovereign-backed infrastructure agreement is signed. Confidentiality clauses that bar disclosure to legislatures and auditors should be prohibited outright, as should collateralization of natural resource revenues, customs receipts or port income. Cross-default and cross-cancellation provisions, which allow a single dispute to trigger obligations across an entire portfolio, and blanket waivers of sovereign immunity deserve equal scrutiny. Arbitration should be seated in neutral international venues under recognized rules rather than in the lender's jurisdiction. These clauses, not the headline interest rate, are where a development loan becomes a political instrument, and they are almost always negotiable when raised before signature rather than after distress.

3. **Map hidden and contingent liabilities before they become sovereign obligations.** A significant share of BRI exposure sits outside published public debt figures, held by state-owned enterprises, special purpose vehicles, joint ventures, and public-private partnerships that carry implicit government guarantees. Finance ministries should maintain a consolidated register of all such contingent liabilities, including take-or-pay energy contracts, minimum revenue guarantees, currency swap lines, and central bank deposit arrangements, and publish it alongside the annual budget. Independent audit institutions and parliaments require statutory access to project agreements to perform this function credibly. Countries across the region have repeatedly discovered the true scale of their exposure only during a payments crisis, when negotiating leverage is at its lowest. Debt sustainability analysis conducted before commitment costs a fraction of restructuring conducted afterwards.

4. **Legislate against asset-for-debt conversion and long-term strategic leases.** The most damaging outcomes in the region have arisen not from borrowing itself but from what was surrendered when repayment faltered: equity stakes, operating concessions, and multi-decade leases over ports, airports, energy grids, telecommunications backbones and land adjacent to strategic sites. Governments should designate

categories of critical national infrastructure that cannot be transferred, leased beyond a defined term, or placed under majority foreign operational control without a supermajority legislative vote. Restructuring negotiations should be conducted transparently and, where possible, through creditor committees that include other bilateral and multilateral lenders, to prevent bilateral resolution on asymmetric terms. Where dual-use potential exists, security agencies should be formally consulted before any transfer of control is contemplated.

5. **Guard the soft layers of influence, where dependence is built before any loan is signed.** Leverage is often established years earlier through technical standards committees, feasibility studies prepared by the prospective contractor, scholarship and training programs for serving officials, party-to-party exchanges, provincial-level memoranda, and content-sharing agreements with state media. Governments should require registration and public disclosure of foreign-funded training, media partnerships, and sub-national agreements, and should prohibit project feasibility studies from being prepared by entities eligible to bid on the resulting contract. National standards bodies should participate actively in international standard-setting rather than adopting supplier specifications by default, since a standard adopted once governs procurement for a generation. Building independent domestic capacity to originate, appraise, and supervise infrastructure projects is the single most effective structural safeguard available.

6. **Build credible, transparent connectivity alternatives at scale and at speed.** India, Japan, the European Union, Gulf partners, and other like-minded actors should accelerate financially sustainable infrastructure frameworks built on disclosure, local ownership, institutional resilience, and respect for sovereignty. Alternatives must address the genuine developmental priorities of regional states, since criticism of existing offers is not itself an offer. Chabahar, the International North-South Transport Corridor and complementary routes through Central Asia and Iran should be advanced with sustained financing rather than episodic attention. Diversifying corridors reduces the leverage available to any single external partner and improves resilience against political disruption.

7. **Pakistan should diversify its external economic partnerships and prioritize industrial competitiveness.** Reliance on a single development partner has converted an economic relationship into a structural political constraint, and Islamabad should actively broaden its investment base across regional, Gulf, European and multilateral sources. Future phases should be weighted towards manufacturing capacity, genuine

technology transfer, export-oriented industry, vocational training, and employment generation rather than further physical assets. The binding constraint on returns is Pakistan's productive capacity and its regulatory and energy environment, not the quantity of infrastructure built. Additional Special Economic Zones are unlikely to deliver dividends unless governance, utility reliability, and regulatory efficiency are addressed first.

8. **Pakistan should institute full financial transparency and independent evaluation of the CPEC projects.** Financing arrangements, sovereign guarantees, contractual obligations and performance data should be publicly disclosed as standard practice and subjected to parliamentary scrutiny. An independent evaluation of all completed and proposed projects, particularly the Special Economic Zones, should assess economic sustainability, employment impact, environmental consequences and debt implications before further large-scale commitments are approved. Transparency serves Pakistan's own interest by improving investor confidence and strengthening its position in any renegotiation. Debt sustainability analysis should be published alongside each major approval.

9. **Replace the security-first development model with inclusive federal governance.** Provincial and local authorities in Balochistan and Gilgit-Baltistan should have a substantive role in the planning, approval and monitoring of projects sited in their territories. Fair benefit-sharing arrangements, functioning grievance redress mechanisms and dedicated policies on local employment, women's participation and community enterprise should be embedded across the corridor. Independent environmental impact assessment and community monitoring should be mandatory rather than discretionary. Security measures should complement political engagement, not substitute for it, as protection without participation produces neither legitimacy nor durable stability.

10. **Establish technological sovereignty as an explicit policy objective.** States should broaden cooperation across multiple technology providers to avoid lock-in to a single digital ecosystem, and invest in domestic research capacity, cybersecurity expertise and indigenous digital industries. Clear regulatory standards governing digital infrastructure, surveillance technology, data protection, and cyber governance should accompany every future project, backed by legal safeguards and independent oversight. Surveillance deployed for infrastructure protection must remain subject to judicial and parliamentary review to prevent security cooperation from eroding civil liberties. Regional stakeholders should develop common principles on digital

infrastructure, cybersecurity, and technology standards to improve interoperability and reduce strategic mistrust.

11. **Strengthen maritime domain awareness and scrutiny of dual-use infrastructure.** Regional governments should deepen cooperation on port governance, cyber resilience, critical infrastructure protection, and monitoring of commercial facilities that may acquire military functions over time. India should intensify its presence in the western Indian Ocean through surveillance, naval deployment and partnerships around critical sea lanes and chokepoints. Operational coordination with like-minded partners through joint exercises, intelligence-sharing, and shared maritime domain awareness should be sustained rather than episodic. China's expanding security footprint in Pakistan, including logistics, intelligence cooperation and asset protection arrangements, warrants systematic monitoring, as these are the pathways through which commercial access becomes military access.

12. **India should plan for integrated deterrence and reduce external defense dependence.** Force planning must account for growing interoperability between the Chinese and Pakistani militaries and for the possibility of simultaneous multi-domain contingencies across continental and maritime theaters. Investment in indigenous defense technology and resilient supply chains should be treated as a strategic priority, since dependence on external suppliers constrains options precisely when they matter most. Regional democracies should reinforce naval coordination and intelligence-sharing in the northern Indian Ocean to preserve stability around commercial shipping routes. Assessment of China-Pakistan defense cooperation should extend beyond an India-centric frame to include implications for Gulf security, defense exports and the wider regional balance.

13. **Defend the integrity of multilateral institutions against selective obstruction.** Democratic and like-minded states should coordinate more effectively within international organizations to reduce the scope for procedural blocking of counter-terrorism listings and sanctions mechanisms. International financial institutions should insulate anti-money-laundering and counter-terror-financing assessments from political bargaining, as technical credibility is the foundation of the entire regime. Countries affected by cross-border terrorism should build flexible coalitions for intelligence-sharing and legal cooperation that can act where consensus bodies are deadlocked. Institutional reform should prioritize transparency, published reasoning and procedural safeguards that make obstruction visible and costly.

14. **Pursue an inclusive regional framework on Afghanistan rather than corridor-driven competition.** India and like-minded partners should link humanitarian assistance, developmental engagement, education, and capacity-building into a coherent approach that preserves long-term relevance regardless of shifting alignments. The international community should press for transparent, multilateral oversight of Afghanistan's critical mineral resources so that extraction supports national recovery rather than geopolitical positioning. Regional organizations should establish practical mechanisms for border monitoring, intelligence-sharing, and crisis prevention to contain recurrent Pakistan-Afghanistan escalation. New Delhi should closely track emerging China-Taliban-Pakistan coordination where infrastructure, border security, and mineral investment intersect.

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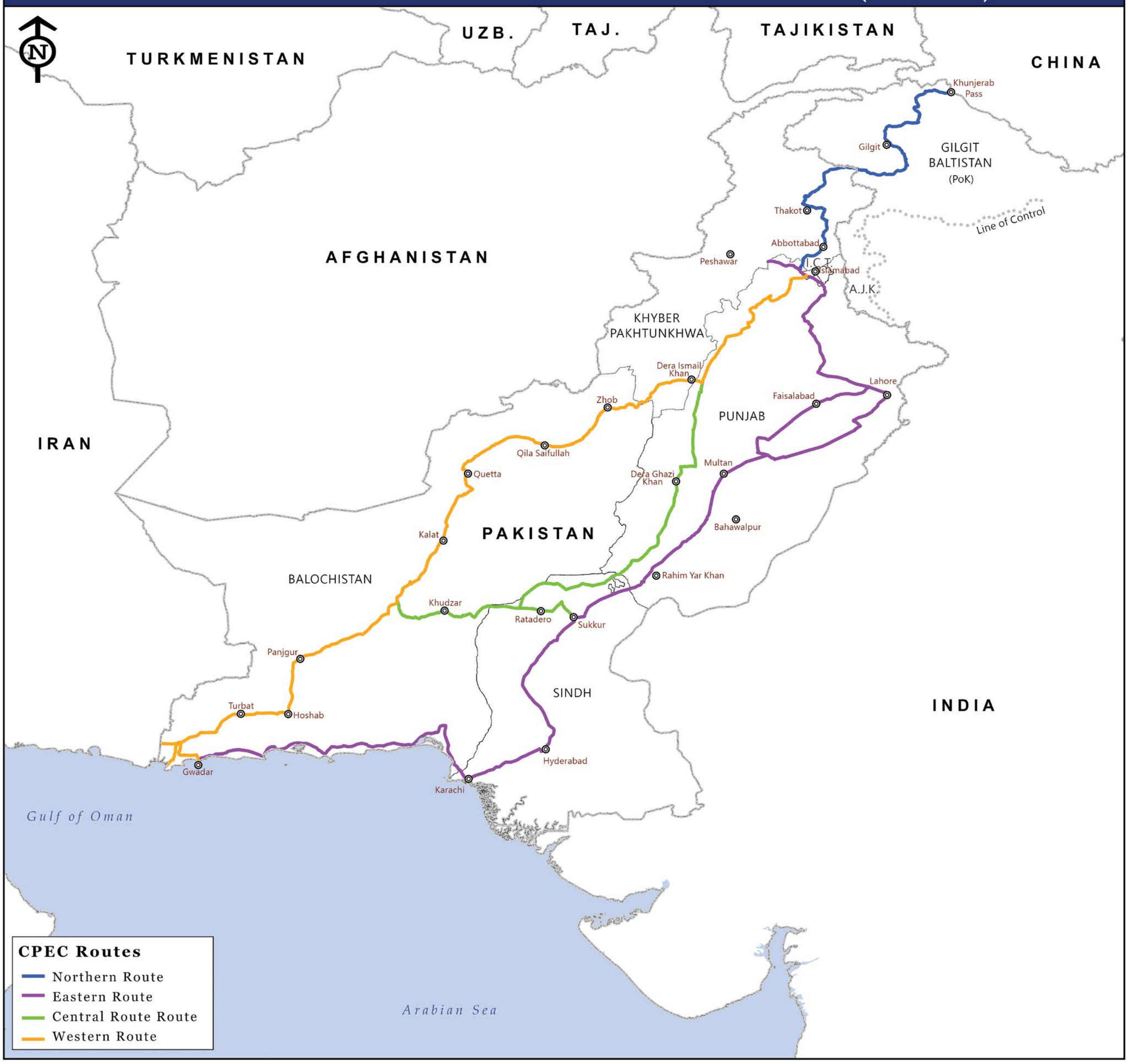
Introduction

China-Pakistan Economic Corridor (CPEC)



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Corridors of Culture, Gateways of Power: CPEC, Xi's GCI, and China's South Asian Ambition

Jagannath Panda

After almost three years on hold, the foreign ministers of China and Pakistan recently announced plans to advance construction of the upgraded China-Pakistan Economic Corridor (CPEC), agreeing to broaden collaboration in industry, agriculture, mining, and green energy.[1] The question that arises is whether China is exporting infrastructure, or a worldview? As Beijing speaks the language of civilizational respect and mutual learning, its roads, ports, and pipelines continue to reshape South Asia's political economy. At the heart of this paradox sits Xi Jinping's Global Civilization Initiative (GCI全球文明倡议), which asserts a commitment to dialogue over dominance, operating in tandem with the hard steel and soft loans of the Belt and Road Initiative (BRI). Nowhere is this convergence more visible, or more strategically significant, than in South Asia, and especially in Pakistan through the CPEC.

The debate, then, is no longer whether China is building influence through connectivity. The deeper question is whether Beijing is using civilizational discourse to reframe power itself. Is GCI a genuine attempt to pluralize global norms, or a strategic narrative designed to legitimize BRI's expansion in contested regions? Why does Pakistan occupy such a central place in this experiment? And how does the renewed political and financial push behind CPEC's second phase and the development of Gwadar fit into China's broader South Asian strategy?

Narratives of Connectivity, Instruments of Influence

The GCI positions itself as a rejection of civilizational hierarchy and ideological universalism.[2] Its core claim that no single civilization has the right to define modernity resonates deeply in South Asia, a region shaped by colonial legacies and post-Westphalian anxieties. By advancing the language of civilizational equality, China offers an alternative narrative to Western-led development and governance frameworks.

In practice, however, GCI does not operate in isolation. It functions as the normative layer of BRI, giving cultural and philosophical coherence to what is otherwise a sprawling infrastructure project.[3] At the Belt and Road Forum for International Cooperation in Beijing in May 2017, Xi Jinping gave an impassioned speech about the lofty aims of the BRI, stressing the need to "build the BRI into a road of civilisation."[4] From there, the leap to GCI has been swift. Since the launch of the GCI in 2023, Beijing has increasingly sought to integrate its three flagship initiatives: the Global Development Initiative (GDI全球发展倡议), the Global Security Initiative (GSI全球安全倡议), and the GCI, into a coherent framework of international engagement. While the GDI addresses development and the GSI emphasizes cooperation, the GCI provides the cultural and ideological justification for China's expanding global footprint. Together, these initiatives reveal an ambition that extends beyond economics: to shape the norms, narratives, and institutions of a post-Western international order. South Asia has become one of the most important theatres for testing this approach.

In fact, in South Asia, where geopolitical mistrust of China remains high, GCI helps soften BRI's image by reframing connectivity as dialogue and development as mutual learning. This is particularly effective in countries that feel marginalized by Western financial institutions or fatigued by conditional aid regimes. South Asia thus becomes a testing ground for China's claim that infrastructure-led growth can coexist with civilizational pluralism. Roads and ports are no longer presented merely as economic assets, but as conduits of historical exchange, revived Silk Routes linking civilizations rather than states.

Pakistan as the Core of China's Strategic Design

Within this regional strategy, Pakistan occupies a privileged position.[5] China's rhetoric increasingly presents Pakistan not just as an "iron brother," but as a civilizational partner: an Islamic, South Asian state that validates Beijing's argument that modernization need not follow a Western script. CPEC, in this sense, is framed as a corridor of shared destiny rather than a bilateral bargain.

This framing is politically useful. As CPEC has come under scrutiny for debt exposure, security vulnerabilities, and uneven development, GCI provides a narrative shield. By embedding CPEC within a civilizational discourse, Beijing shifts attention away from transactional concerns toward long-term partnership and shared historical identity.[6] Recent developments have only strengthened this narrative. During high-level exchanges in 2025 and 2026, Beijing and Islamabad repeatedly described CPEC as entering a "new era" marked by innovation, industrialization, digital connectivity, and green development. The emphasis on technology cooperation, artificial intelligence, digital governance, and smart infrastructure suggests that China seeks to move CPEC beyond roads and power plants toward a broader ecosystem of dependence and integration. Such a transition reflects Beijing's recognition that future influence will be exercised not only through physical infrastructure but also through digital standards, technological platforms, and knowledge networks. The emphasis on people-to-people exchanges, educational cooperation, media collaboration, and cultural diplomacy under CPEC is not incidental; it operationalizes GCI's promise of mutual learning.

In turn, Pakistan has undoubtedly gained from infrastructure modernization.[7] By 2023, infrastructure investments resulted in contributing more than 8,000 MW to the national energy grid and boosting exports to China by 46 percent. However, a widening trade deficit alongside increasing fiscal dependence and rising domestic discontent in regions such as Balochistan and Gilgit-Baltistan underscores the complex and uneven nature of this interdependence. Moreover, the protection of Chinese personnel and assets has become a major issue in bilateral relations. Repeated attacks on Chinese engineers and workers have prompted closer security cooperation between the two countries. This growing securitization of CPEC illustrates how connectivity projects are increasingly intertwined with questions of state authority, territorial control, and strategic competition.

Pakistan's domestic power structure further reinforces the situation. GCI-linked engagement under CPEC is largely elite-driven, working through political leadership, the military, and bureaucratic institutions. This top-down model ensures policy continuity even amid Pakistan's internal instability, making the country an ideal anchor for China's civilizational outreach in South Asia.

CPEC 2.0, Gwadar, and the Politics of Strategic Access

China's renewed political and financial backing for CPEC Phase II signals a pivotal shift. The emphasis has moved from headline infrastructure to industrial cooperation, special economic zones, agriculture, and technology.[8] This transition is not merely economic and reflects Beijing's determination to demonstrate that BRI corridors can mature into sustainable ecosystems.

The CPEC, stretching about 3,000 km from Xinjiang in northwestern China to Gwadar port on the Arabian Sea, constitutes a central component of the BRI with total investments said to be exceeding $60 billion.[9] In Phase II of the project, the two countries have committed to collaboratively establish corridors for economic growth, social development, innovation, green development, and openness, to deliver an enhanced version of CPEC consistent with Pakistan's development plans.[10] Pakistan's location, a mere 600 kilometers from the Strait of Hormuz, gives it unparalleled strategic importance. Far from being solely an economic project, CPEC functions as a strategic lifeline intended to expand China's regional footprint and protect its enduring energy and commercial interests.

Gwadar, once a sleepy fishing village, sits at the center of this ambition. Back in 2015, Xi Jinping elevated CPEC to the highest priority and described it as the "flagship" of the BRI.[11] Xi then named Gwadar as one of the four pillars of CPEC. The commercial and potential military significance of Gwadar is best understood through the concept of China's "strategic strongpoints," a term referring to select foreign ports of high strategic importance where terminals and commercial zones are operated by Chinese companies.[12] Undoubtedly, the development of the Gwadar port strengthens China's maritime footprint in the Indian Ocean, raising concerns about potential strategic encirclement.[13]

But, of late, it is more than a port; Gwadar is being projected as a symbol of connectivity between inland China, South Asia, the Middle

East, and Africa.[14] Gwadar's significance today extends beyond trade and logistics. As geopolitical competition intensifies across the Indian Ocean Region, the port increasingly represents China's long-term maritime strategy. Situated near some of the world's most important sea lanes, Gwadar offers Beijing a strategic vantage point from which it can strengthen commercial access, monitor critical energy routes, and expand its presence in the western Indian Ocean. This has heightened concerns in India, the Gulf States, and among several Western powers regarding the potential dual-use nature of Chinese-operated infrastructure.

Under the GCI lens, Gwadar is framed as a civilizational gateway, reviving maritime Silk Road traditions while anchoring China's presence in the Indian Ocean.[15] Continued Chinese financing, concessional loans, and political support for Gwadar indicate that Beijing views the port as both a strategic asset and a narrative showcase. Crucially, this support persists despite security challenges and economic headwinds. That persistence underscores a key point: CPEC is no longer judged solely by immediate returns. It is valued as a long-term experiment in integrating civilizational discourse with strategic infrastructure, an experiment China is unwilling to abandon.

Power, Pluralism, and the South Asian Question

What emerges from this convergence of GCI, BRI, and CPEC is a distinct Chinese approach to regional order-building that differs from the Western tradition of exporting institutions, norms, or governance frameworks. Rather than foregrounding universal legal standards or multilateral institutions, Beijing's approach emphasizes connectivity as a core organizing principle, one embedded in economic interdependence, infrastructure linkage, and cultural- diplomatic narratives. This approach is particularly relevant at a time when global politics is undergoing profound transformation. As the international system becomes increasingly fragmented, many developing countries are searching for alternatives to traditional Western-led institutions. China's appeal lies in its promise of development without political conditionality and modernization without ideological conformity. Yet this promise can be sustained, remain uncertain.

South Asia, with Pakistan at its core, becomes the proving ground for whether this model can gain legitimacy amid rivalry, resistance, and regional asymmetries. The success or failure of CPEC Phase II will therefore carry implications far beyond Pakistan. It will influence perceptions of the BRI across Asia, Africa, and the Middle East, while also shaping the credibility of Xi Jinping's broader vision of global governance. If CPEC can generate inclusive growth, economic sustainability, and political stability, Beijing will present it as evidence that its civilizational approach offers a viable alternative to existing development models. If it struggles under the weight of debt, insecurity and local discontent, however, it may reinforce concerns that China's connectivity projects ultimately serve strategic rather than developmental objectives.

Yet the debate remains unresolved. Can the rhetoric of shared civilization and collective development truly neutralize concerns about strategic dependency? Does framing infrastructure as dialogue meaningfully empower local societies, or does it consolidate elite alignments? Studies on CPEC and its regional effects highlight how deepening connectivity can simultaneously foster interdependence and geopolitical competition, raising questions about sovereignty and regional asymmetries.[16] And as CPEC deepens under Phase II, will Pakistan's experience become a model others emulate or a cautionary tale?

These questions cut to the heart of China's global ambition. GCI's success in South Asia will depend not on speeches or symbolism, but on whether connectivity delivers stability and sustainable development without eroding sovereignty. For now, Pakistan and CPEC remain the most ambitious laboratory of China's evolving power architecture- where infrastructure, finance, security, technology, and civilizational narratives are increasingly fused into a single geopolitical project. In that sense, CPEC is no longer merely a corridor of commerce. It has become a corridor through which China seeks to redefine influence, legitimacy, and regional order in the twenty-first century.

About this Stockholm Paper: From Silk Cage to Silk Noose

This Stockholm Paper, *CPEC and China's Strategic Web: Power, Connectivity, and Control in Pakistan and Beyond*, marks the first publication under SCSA-IPA's flagship research project, *The Silk Noose: China's Power Architecture in South Asia and the Indian Ocean Region*. The study examines how the China-Pakistan Economic Corridor (CPEC), the flagship project of China's BRI, has evolved beyond a connectivity and infrastructure initiative into a multidimensional instrument of strategic influence, political leverage, and regional power projection.

At the center of China's South Asia strategy, Pakistan occupies a unique position as Beijing's most trusted strategic partner and the principal gateway linking western China to the Arabian Sea. Through CPEC, China has invested heavily in transport networks, energy projects, industrial zones, digital infrastructure, and the development of Gwadar Port. While these projects have contributed to Pakistan's infrastructure modernization, they have also generated important debates regarding economic dependency, political influence, security cooperation, and long-term strategic control.

This Stockholm Paper brings together leading experts, established and emerging scholars from across Europe, North America, and Asia to assess CPEC from multiple perspectives.

The first section situates Pakistan and South Asia within China's broader strategic vision, examining how Beijing's global initiatives, diplomatic outreach, and multilateral engagement have reinforced Pakistan's importance in China's regional and global ambitions. The second section investigates the realities of CPEC on the ground, exploring issues ranging from economic performance and Special Economic Zones to digital statecraft, social impacts, and growing defence-industrial integration between China and Pakistan. The final section analyses the regional expansion of CPEC, including its extension into Afghanistan and the strategic significance of Gwadar in China's evolving Indian Ocean strategy.

The central argument running throughout this volume is that CPEC should no longer be viewed solely as an economic corridor. Rather, it represents a broader strategic architecture through which China seeks to shape regional connectivity, deepen political influence, expand security partnerships, and advance its vision of regional order. As global competition intensifies and South Asia assumes greater geopolitical significance, understanding CPEC becomes essential for assessing the future trajectory of China's engagement in the region. By examining both the promises and limitations of CPEC, this *Stockholm Paper* seeks to contribute to policy debates on connectivity, sovereignty, strategic dependency, and regional security. Overall, it argues that Pakistan serves not only as the centerpiece of China's South Asia policy but also as the primary testing ground for Beijing's larger ambition to translate connectivity into influence and infrastructure into power.

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PART I

Framing South Asia, CPEC, and Pakistan in China's Strategic Orbit

The Financial Evolution of CPEC: From State-Led Infrastructure to Global B2B Partnership

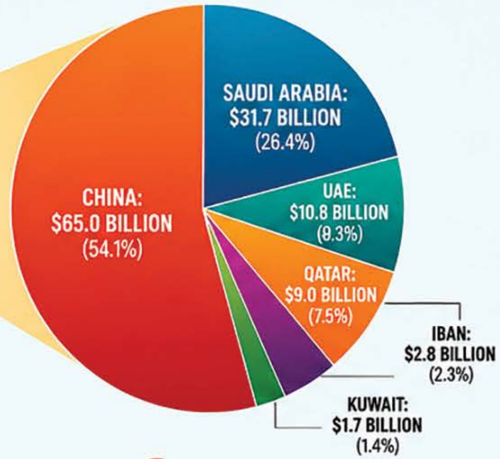
Gulf states are emerging as critical secondary investors, buying back already-built infrastructure to diversify Pakistan's debt profile.

65 BILLION USD

TOTAL CHINESE COMMITMENT

China remains the primary financier, representing **54.1%** of total investment.

INVESTOR MIX & DIVERSIFICATION



THE SHIFT IN FINANCIAL MODELS

PHASE I (2013–2022): STATE-LED INFRASTRUCTURE

Government-to-Government Loans

- **Realized: ~$25–27B** Materialized
- **Fiscal Goal:** Remove bottlenecks (Power/Roads)
- **Sector Focus:** Infrastructure & Energy
- **Grant Support:** Limited early harvest MoUs

RESULT: ~8,900 MW Power & ~900 km Roads

Government-Led Model

Phase I successfully added **8,900 MW** of power and **900 km of roads** to Pakistan's infrastructure.

PHASE II (2022–PRESENT): PRIVATE-SECTOR DRIVEN B2B

Business-to-Business Agreements

- **Planned: ~$35B** Planned by 2030
- **Fiscal Goal:** Sustainable growth & exports
- **Sector Focus:** Industrialization & Innovation
- **Grant Support: ~$1B** Chinese grant for social sector

STATISTIC: $8.5 BILLION IN B2B AGREEMENTS

Private-Sector / B2B Model

Phase II leverages high-tech private investment in EVs, IT, and agriculture, totaling **$8.5 billion** in B2B commitments.

KEY FINANCIAL CHALLENGES & CONSTRAINTS

30 BILLION USD
DEBT TO CHINA
(Approx. 21% of External Debt)

Debt sustainability is the primary fiscal hurdle, restricting new investments.

INVESTMENT BARRIERS IN PHASE II

- **Financial/Mobilization:** High taxes & complex regulations
- **Operational:** Accumulating debt to Chinese Independent Power Producers (IPPs)
- **Bureaucratic:** Slow approval processes & hurdles in capital movement
- **Local Market:** Scarcity of viable local partners & limited local investment opportunities

The "Triple Threat" of Regulatory, Policy, and FX uncertainty, alongside government defaults, hinder progress.

The Silk Road and South Asia: China's Bridge from Regional to Global Politics

John S. Van Oudenaren

Under Xi Jinping, Chinese foreign policy has expanded beyond its "core interests"[1] concentrated in East Asia, adopting a global approach wherein Beijing seeks a leading role in world affairs. At the heart of this transformation are the four global initiatives, the Global Development, Security, Civilization, and Governance initiatives, introduced by China from late 2021 to late 2025. The four initiatives (and possibly more to come) seek to advance a comprehensive roadmap to redress pressing global issues and realize Xi's vision for a "community with a shared future for mankind" [人类命运共同体].[2]

The globalization of Chinese foreign policy is not a bolt from the blue but rather: (1) an effort to strategically leverage the turn-of-the-century "going out" policy initiated by Jiang Zemin that sent Chinese businesses overseas in large numbers;[3] and (2) a reaction to intensifying U.S.-China strategic competition, including, in Beijing's eyes, enhanced U.S. efforts to contain China centered along the First Island Chain in the East Asian littoral.[4] As a result, Chinese strategists began to look west to the old Silk Roads to advance core national interests, not only seeking to consolidate the People's Republic of China's (PRC) control over its restive "autonomous" regions of Xinjiang and Tibet, but also to secure the energy and trade routes that are the lifeblood of the modern Chinese economy.

In October 2012, on the eve of Xi's ascension to the top leadership roles, Wang Jisi [王缉思] published his now famous case for China to "March West" in response to the U.S. rebalance to Asia under the Obama administration.[5] Wang, often considered China's leading contemporary foreign policy scholar, noted that from 2001 to 2011, China's trade with South and West Asia had increased thirtyfold.[6] He contended that to ensure unimpeded energy and other commodity supplies, "the route from China's western regions to the Indian Ocean should be constructed as soon as possible."[7] Finally, Wang argued that the "March West" must be planned carefully and undertaken strategically, not only to deal with the suspicions of other great powers, the U.S. and Russia, but also to navigate regional fissures, including the "intractable" India-Pakistan dispute.[8]

China began to implement Wang's vision in 2013, focusing on increasing infrastructure links with South Asia through the Belt and Road Initiative (BRI), originally known in English as

One Belt One Road (OBOR), embedding South Asian partners in Chinese-led regional connectivity initiatives. The Office of the BRI Promotion Leading Group's paper on "Building the Belt and Road: Concept, Practice and China's Contribution," published in May 2017, underscores the key role that South Asia plays in the BRI.[9] The paper highlights two of the BRI's six main initial corridors that traverse South Asia: (1) the China-Pakistan Economic Corridor (CPEC) —the BRI's original "flagship project," and (2) the Bangladesh-China-India-Myanmar Economic Corridor, which seeks to connect the subregions of East, South, and Southeast Asia, linking the Pacific and Indian Oceans.[10]

The PRC views both corridors as a means to alleviate its "Malacca dilemma": the passage of the majority of China's energy imports through the narrow straits of Malacca, a critical shipping lane passing between Sumatra and Peninsular Malaysia connecting the Indian and Pacific Oceans. Beijing has long feared that this chokepoint is vulnerable to foreign naval interdiction. For example, in a 2023 *People's Forum* article, Beijing Institute of Technology Professor Hao Yu [郝 宇] states that China launched CPEC to "eliminate security threats to shipping routes in the Indian Ocean."[11] In the early months of 2026, this vulnerability has been further driven home to the PRC by the ongoing global energy crisis resulting from the current Middle East conflict and reports of disruption around the Strait of Hormuz.[12]

As the BRI has taken shape in South Asia, Bangladesh, the Maldives, Nepal, Pakistan, and Sri Lanka have all hosted various large-scale infrastructure projects. However, the PRC has had little success in enlisting India, which has its own vision for regional connectivity, to join BRI. However, the PRC has had more success in engaging India as a partner in advancing a multipolar world predicated on the growing aspirations of a rising Global South. Although India has also been wary of China's recently launched global initiatives, it has remained a willing participant in platforms such as BRICS and the Shanghai Cooperation Organisation, which aim to advance progress towards multipolarity.

Moreover, bilateral relations between China and India, which hit a nadir during violent border clashes in the Galwan Valley of Eastern Ladakh in June 2020, have shown signs of recovery, particularly as India's differences with the U.S. and the West intensified over its close links to Russia following the onset of the Russia-Ukraine War in February 2022. In October 2024, Xi and Modi reached a border agreement at the BRICS summit in Kazan, Russia, establishing a mechanism to ease the largest sources of bilateral tensions.[13]

Marching Southwest

In mid-2013, the PRC began to roll out the initiatives that would provide a strategic framework for its westward pivot, including corridors through South Asia that became key links in BRI. In May 2013, then Pakistani President Asif Ali Zardari and Chinese Premier Li Keqiang signed a joint statement deepening bilateral strategic cooperation in areas including trade, aerospace, maritime domain, defense, and connectivity, alongside joint economic development through the launch of the China–Pakistan Economic Corridor (CPEC) corridor.[14]

The move was significant not only because it established Pakistan as a potential future transshipment corridor linking China with energy markets but also because it was grounded in China's closest *security* partnership, an "All Weather Friendship" underpinned by a hard-edged geostrategic calculus in both Beijing and Islamabad. As a result, China has an enduring strategic interest in ensuring that Pakistan maintains sufficient military capability to occupy a significant portion of India's strategic focus, thereby relieving pressure on China's own long southwestern border with India across the Tibetan Plateau.

However, by the early 2010s, extremism and insecurity threatened the viability of the Pakistani state, imperiling its ability to serve as an effective partner to China.[15] Hence, strategic necessity likely compelled the PRC to invest large sums to support this critical yet challenged partner. In 2013, such investments aligned with the broader strategic framework of the BRI, further advancing China's regional and global interests.

Later in 2013, Xi launched the Belt and Road Initiative (BRI), introducing its two main Eurasian mega-corridors in succession. In a September 2013 speech in Kazakhstan, Xi outlined the Silk Road Economic Belt, traversing Central and West Asia and providing an overland route between China and Western Europe.[16] Although the notion of using this route to reach Europe has been important, the route has served primarily to deepen China's connectivity with Central and West Asia, as the vast majority of China's trade with Europe continues to be transported via maritime routes. In October 2013, Xi announced the establishment of the other main route within the BRI, the 21st Century Maritime Silk Road.[17] The Maritime Silk Road (MSR) has two routes, the first passing "from Chinese coastal ports through the South China Sea, through the Strait of Malacca to the Indian Ocean, and extending to Europe; and the second, from Chinese coastal ports through the South China Sea to the South Pacific Ocean."[18] The first, main trunk of the MSR cutting across the Indian Ocean and running through the Suez Canal to Europe overlaps closely with established global maritime trade routes connecting East Asia with the Middle East and Europe.[19] Consequently a key priority of the MSR has been to build on China's existing economic interest in strategically crucial but chronically underinvested South Asian ports, such as Gwadar in Pakistan, Chittagong in Bangladesh, and Hambantota Port in Sri Lanka.[20]

Notably, China's strategy often entails providing loans for concessions including management rights, and/or ownership stakes in local ports. For example, the PRC began providing support for Pakistan's development of Gwadar in 2001, and eventually in May 2013, China Overseas Ports Holding Company Limited (COPHC) assumed control through a 40-year concession agreement.[21] In November 2015, Pakistan tendered the PRC 2,000 acres near the port for development of a terminal, free trade zone, and an airport.[22] Although the commercial viability of Gwadar appears dubious, the development of the port and overland infrastructure through CPEC, provides a costly and risky yet still logistically possible route for the PRC to avert the straits of Malacca and move energy overland through Pakistan to Western China.[23]

At the same time that China has sought to facilitate development of maritime infrastructure and connectivity across the Indian Ocean Region (IOR), the PLA Navy has expanded its presence in the IOR conducting counterpiracy patrols in the Gulf of Aden since 2008 and establishing China's first overseas military base in Djibouti in 2017. En route to naval deployments in the Gulf of Aden, PRC naval vessels make port calls at Indian Ocean ports such as Karachi, Pakistan, and Colombo in Sri Lanka.[24] The PLA Navy conducts joint exercises and trainings with the navies of regional partners such as Bangladesh and Pakistan, as well as making port calls in Pakistani and Bangladeshi ports.[25] In 2023, a PRC defense firm completed the construction of submarine base for Bangladesh, and PLA military officers are likely involved in training submariners at the base.[26] Although Gwadar is not a PLA base it is used extensively by the Pakistani Navy, which operates numerous Chinese-made surface combatants and submarines, and its port facilities would be able to support large PLA vessels.[27] This accords with China's development of a dual-use model for naval access in South Asia, whereby the PRC has hitherto avoided establishing its own bases, but has built up a presence, through good relations with host governments, regular blue water patrols launched from ports in Southern China, and investment in large port facilities that the PLA could potentially access for military missions.[28]

Why has South Asia been a Springboard for Chinese Foreign Policy to Go Global?

By the early 2020s, the BRI had transformed from a regional into a global effort.[29] Moreover, Xi's launch of the "Four Global Initiatives" from 2021 to 2025 not only signaled China's adoption of a fully globalized foreign policy but also arguably marked the end of the Eurasian bridge period or interregnum that characterized Chinese foreign policy from 2013 to the onset of the global COVID-19 pandemic in 2020-2021. During this time, South Asia played a key role as part of a trans-regional Eurasian bridge that functioned as the pivot point for the globalization of Chinese foreign policy. The other regions on the PRC's Southern and Western peripheries, Southeast Asia and Central Asia, are also integral to this shift but factor less in the BRI as a springboard to China's transition to a global foreign policy.

While a long history of trade and cultural exchange exists between South Asia and China, the subcontinent belongs firmly to a separate civilization, whereas Central Asia and South Asia have been heavily influenced by Chinese culture, with states such as Vietnam periodically incorporated within the imperial tributary system. Moreover, in Southeast Asia, the PRC faces a combination of strong regional connectivity through ASEAN-centric organizations, and external actors, primarily the U.S. and Japan focused on balancing China, have limited Beijing's ability to translate its massive economic linkages into political leverage. Meanwhile, in Central Asia, PRC influence has expanded greatly, but Beijing still must balance its interests with its critical strategic partnership with Russia, which has deep cultural and ethnic linkages with the region.

Four key factors explain why South Asia became an important jumping-off point for this transformation:

1. **The Indian Ocean region in China's strategic geography:** The importance of South Asia for China derives from its centrality within the Indian Ocean region. As discussed above, the development of alternative overland routes, as well as China's expanding military access to the region, are in part motivated by a desire to reduce the vulnerability of key maritime chokepoints. Moreover, strengthening China's presence in the region, through military cooperation and access to host country military or dual-use facilities, aligns with the People's Liberation Army's longest-running overseas mission of undertaking counterpiracy patrols in the Gulf of Aden, as well as its only official overseas military base in Djibouti in the Horn of Africa.[30]

2. **Complex regional dynamics**: Middle powers and smaller countries in South Asia are sometimes open to working with China to balance India as the dominant regional power. Equally crucially for China, while states in the region, including both India and Pakistan, have been willing to undertake extensive security cooperation with the U.S., they have hitherto shown little interest in working with Washington to forge a coalition aimed at counterbalancing China. Wang Jisi noted the limited prospects for U.S.-led security groupings emerging in West or South Asia focused on counterbalancing China as a major inducement for the PRC to "March West".[31]

3. **Inert and fractured regional organizations:** Differences among South Asian states have precluded the formation of a cohesive and comprehensive intergovernmental regional body. Founded in 1985, the South Asian Association for Regional Cooperation (SAARC) has not met at the summit level since 2014 and appears to have limited convening power in the region.[32] This stands in contrast to China's engagement with other regions where stronger regional organization exist, such as the European Union and the Association of Southeast Asian Nations (ASEAN), which can coordinate member-state positions and potentially serve as a counterweight to China in negotiations.

The weakness of South Asian regionalism may create openings for Chinese-led institutions aimed at addressing the international and transnational security challenges in the region. For example, Pakistan, Sri Lanka, Bangladesh, and the Maldives have all signed on to the Global Security Initiative (GSI).[33] And while India eschews the GSI itself, a PRC Foreign Ministry White Paper on the GSI concept discusses leveraging the roles of the SCO, BRICS, and the Conference on Interaction and Confidence Building Measures in Asia, all of which include India as a member.[34]

Limited regional cohesion in South Asia has also contributed to China's ability to advance initiatives that incorporate selective groupings of countries in South Asia. For example, the GSI concept paper calls for leveraging the Meeting of Foreign Ministers of the Neighboring Countries of Afghanistan, which typically includes China, Iran, Pakistan, Russia, Tajikistan, Turkmenistan, and Uzbekistan, and focuses on promoting stability in Afghanistan.[35] While the effectiveness of such fora, as illustrated by the ongoing Afghanistan-Pakistan war, at solving regional conflicts is dubious, they nonetheless serve to advance Chinese influence in the region, especially at a moment when the U.S, is strategically preoccupied elsewhere.

4. **Overlapping narratives centered on the Global South**: Shared post-colonial legacies between China and India date back to the 1955 Bandung Conference. While China and India have competed for leadership in the developing world since then, the mutual belief that each is destined to lead the Global South acts as a powerful normative constraint on either country aligning too closely with the West. For example, in a recent speech calling for reform of the United Nations, Indian Prime Minister Narendra Modi argued that "the old institutions are struggling to deliver peace and progress. At the same time the Global South is rising…. The voice of the developing world remains on the margins; India has always tried to bridge this gap."[36] Similarly, in his September 2023 address to the UN General Assembly, PRC Vice President Han Zheng said that "China is a natural member of the Global South" and "as the largest developing country, it breathes the same breath with other developing countries and shares the same future with them."[37]

Conclusion: A Double-Edged Sword?

The first steps in China's 21st century quest for global leadership began along the new Silk Road. Whether they will lead further remains uncertain. As U.S. strategic attention remains consumed by the Middle East, China has sought to position itself as a mediator in South Asian regional conflicts, seeking to manage the war that broke out in February 2026 between Pakistan and the Taliban regime in Afghanistan, which poses challenges to the CPEC and the broader BRI. These overlapping conflicts underscore the fragility of South Asia as a key node in China's grand strategy to reshape Eurasia and, ultimately, the global order. Nevertheless, more broadly, the PRC appears to be achieving strategic, if not always, economic benefits, from its strategy of enmeshing India and its South Asian neighbors in overlapping regional and global Sinocentric initiatives. In the case of Bangladesh, Beijing has been able to deepen its long-standing close economic and military ties with Dhaka following a change of government in 2024 and former leader Sheikh Hasina's flight to India.[38]

The development of Chinese influence in South Asia during the Xi Jinping era has been an enabler of growing Chinese economic reach and an increasingly global military presence. At the same time, the inherent fragility of the region poses major challenges for China, with instability threatening vital trade and energy linkages on which its economy relies. Hence, the PRC's success or failure in South Asia will be integral to its broader global designs. Failure to achieve strategic objectives in the region would likely lead Beijing to devote its focus elsewhere, either shifting back to a more regional policy or to focusing on building influence in other parts of the developing world.

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China's Global Initiatives: Limits and Opportunities in the Indian Ocean Region

Jiayi Zhou

The decline of multilateralism and the rise of great power unilateralism mark a global order in growing disarray. China is part and parcel of this wider geopolitical fragmentation, despite its rhetoric and perhaps genuine ambitions to the contrary: it is a party to maritime tensions in its near neighborhood, and a main actor in the increasingly sharp geostrategic competition. It is in this context, of universal rules and norms arguably at a three-decade low, that China's new "global"-level diplomatic offerings—the Global Security Initiative (GSI) [全球安全倡议], the Global Development Initiative (GDI) [全球发展倡议], the Global Civilization Initiative (GCI) [全球文明倡议], and the Global Governance Initiative (GGI) [全球治理倡议]—need to be understood and evaluated.

Despite being couched in language encouraging the adoption of new frameworks for principled state behavior, these Chinese initiatives are themselves part of the growth in competing and alternative systems, counter-narratives, and offerings of an era of intensified stakeholder competition. Limitations of China's universalisms are particularly evident in the Indian Ocean Region (IOR). This region has broad global significance for maritime connectivity, commerce, and security, but lacks effective overarching regional frameworks to cohesively manage associated developmental and security challenges. The region comprises diverse powers, both smaller and larger, each jockeying for its own interests. As this chapter argues, it is highly unlikely these new Chinese initiatives will provide the foundation for such a framework—nor do they suggest that China will effectively become a dominant security or developmental provider, in this region or globally for that matter. Homing in on the GSI and GDI, however, these initiatives do offer additional opportunity for smaller and middle powers in the region to engage in strategic hedging, as they navigate much more complex, uncertain, and turbulent global politics.

The GSI and GDI, two of the more prominent of the Chinese initiatives, were announced separately by President Xi Jinping in 2021 and 2023. While they represent evidence of China's global leadership ambitions and a much more assertive foreign policy, the two initiatives themselves do not represent substantive-ly new approaches, or innovations, to existing Chinese foreign development and security principles, or behavior. The GSI reiterates many of the same conceptual framings that China had already articulated more than two decades ago in its "New Security Concept." Introduced in the late 1990s, the New Security Concept contained much of the same terminology as the GSI, of "common" and "cooperative" forms of security, on both traditional and non-traditional topics. It also mentioned setting aside the "Cold War mentality" in favor of mutual benefits, towards security for humanity at large.[1] However, unlike with the GSI, those ideas at the time received very little attention from the international community.

The GDI also focuses on many broad principles, normative frameworks, and even targets that pre-exist in the form of the UN Sustainable Development Goals. Putting separate Chinese branding on these ideas suggests, in part, that China holds the existing multilateral development system in high regard.[2] Indeed, in concrete terms, China's overseas footprint is by no means that of a hegemon that can wholly redefine or reorder existing global rules and norms. In terms of global development, China has since 2017 been the world's largest creditor and is setting the pace and standard for financing in low-income states. In terms of stricter development assistance, however, Chinese aid remains very small in relative terms compared to traditional donors.[3] Chinese development assistance amounted to only several billion USD in 2025, compared to the 174.3 billion by OECD countries in 2025, even after substantial cuts in aid budgets.[4]

It is true that OECD countries' approaches to development have begun to shift to a more Chinese-style emphasis on large-scale strategic and commercial investments.[5] However, China has meanwhile been shifting towards "small and beautiful" projects in low-income countries—replicating principles of inclusive localization that are by no means an innovation on existing OECD-DAC development assistance principles. This again indicates that China would be hard-pressed to independently define, let alone uphold, any truly new or alternative order in the development sphere.

Importantly, however, there is no international institutional architecture connected to these initiatives, which more than anything speaks to their limits. Global consternation and attention to these initiatives, therefore, are with regards not to genuine changes in China's foreign security and development policies, but to China's overall geopolitical clout, capacity, and footprint—which are admittedly as powerful as ever before.

In the security realm, China remains a regionally limited security actor and is still growing into its role as a global peacemaker and security provider. While its brokering of the Iran-Saudi Arabia deal has been hailed as "proof of concept" of the GSI, it is important not to overstate how much China is able to achieve unilaterally.[6] China is, for instance, the least prolific signatory of peace agreements among all permanent members of the UN Security Council. Since the end of the Cold War, even Norway has been signatory to twice as many peace agreements as has China.[7]

Indeed, China mostly engages in what some scholars refer to as only "quasi-mediation diplomacy," which emphasizes rhetoric and symbolism over hard commitments.[8] This also marks the GSI more broadly, whose vagueness is matched by its requirements for country signatories or supporters—requiring no costs, and no hard choices. While this indicates on the one hand, some genuine inclusiveness to the GSI, it also limits its practical value.

Hence both the GSI and GDI are more or less elaborations of pre-existing platforms of Chinese cooperation. The documents comprise a laundry list of China's activities, mechanisms, funds, and dialogue forums with various states and regions of the world, including regional and multilateral organizations. These are being retroactively subsumed into the GSI and GDI framework, but very few if any of these are new dedicated mechanisms that represent a change or pivot to China's approach. Such retroactive marketing is similar to the method deployed by China with regards to existing overseas investment activities and the BRI. Where new platforms have been established, for example, the Group of Friends of the GDI within the UN framework, the resources deployed and results obtained have been modest in scale.

The limits of China's global initiatives are even more pronounced when homing in on a region such as the IOR. Notably, the IOR and South Asia are not featured in the text of either the GDI or the GSI, though both texts extensively elaborate on China's cooperation with various regions of the world—from Latin America, to Africa, to Central Asia and the ASEAN region. In fact, the IOR was not even originally a target region of the Belt and Road Initiative (BRI) when it was announced in 2013. The BRI emerged from two separate regional Chinese initiatives, in Southeast Asia and Central Asia, which were later merged and expanded into the current umbrella framework for China's overseas investment activities.[9]

This does not suggest that the region does not hold special significance for China; the IOR has long been a matter of strategic attention for its policymakers due to the so-called Malacca dilemma: the vulnerabilities of the sea lines of communications (SLOC) that are essential for delivering China's supplies of critical resources.[10] There has been an increasingly robust Chinese presence in the IOR, combining China's overseas development financing with its security interests. Strategic access through combined land- and maritime-based corridors is facilitated by the strategic influence it has cultivated through both economic partnerships as well as growing security ties to states like Pakistan, Sri Lanka, Bangladesh, and the Maldives—all of which have also signed on to China's GSI. However, the IOR is by no means China's primary strategic maritime theater, nor an area where China can call any shots unilaterally. Despite the expansion of China's naval presence and access along ports in the IOR region, it has no formalized military basing agreement with any country—including Pakistan.

More to the point, China's strategic influence is as much a product of the interests of the states involved, as it is a product of its own power projection. To reiterate, rhetorical support for Chinese initiatives—particularly for the smaller powers in the region—costs very little. On the other hand, China also provides a hedging opportunity for smaller states like Bangladesh, Sri Lanka, and the Maldives. These states have long attempted to secure a degree of autonomy against more powerful states, including through occasionally hedging them against each other.[11] Such states are of course also beset by internal fragmentation as well as external pressures, in addition to economic weaknesses that makes them vulnerable to external pressure. This was one of the main factor's underpinning concerns around China's "debt-trap diplomacy." However, such concerns often understate the interests and agency of local actors, as often discussed in the case of Sri Lanka's long-term leasing of its Port of Hambantota to China.[12]

Indeed, for smaller powers, Chinese initiatives are only one in a growing gamut of offerings, including investment vehicles and security partnerships to choose from. These comprise India's "Neighborhood First" policies, including through its Security and Growth for All in the Region (SAGAR) and more recent Mutual and Holistic Advancement for Security and Growth Across Regions (MAHASAGAR) initiatives, as well as the strategic initiatives of extra-regional actors. such as Japan, the United States, and even the European Union.[13] Japan's Free and Open Indo-Pacific Initiative, an outreach platform to smaller states of the region with a strong infrastructural focus, remains an important priority for the new Takaichi government.[14] The EU's Global Gateway is another vehicle through which smaller states as well as India are creating alternative political and economic channels in the region.[15]

Notably, in an increasingly uncertain and turbulent global landscape, it is not only small states but even major powers that are trying to maximize strategic autonomy. This includes India: its concerns about China's growing presence in its region, and cooperation with extra-regional powers in the Quad format, sit alongside India's desire to also participate in and support alternative, non-Western, institutions and frameworks—such as BRICS and the SCO—in which China is an important participant.

In short, China's GDI and GSI frameworks are not an indication of, nor a lead-in to, status as a hegemon—neither in the South Asia region nor globally. Indeed, one main barrier to China's ambitions of providing and championing a truly "global" framework for development and security is that it has not been able to extricate itself from power politics, neither in its immediate neighborhood nor with other great powers. China is itself part of difficult and even escalating security dilemmas in the East and South China Seas and in the IOR, as well as in great power competition with the U.S. This suggests that, rather than being a standard bearer for cooperative security, China in many ways remains a partisan stakeholder. This significantly lessens the credibility of China's rhetoric regarding "taking the legitimate security concerns of all countries seriously."[16]

Seen in this context, China's global initiatives are simply part of the growing diversity of frameworks on offer as regional and global competition intensifies. This is par for the course of a much more contested and congested global order, one that can still serve the benefit of smaller states able to navigate the geopolitical winds in favor of their own interests. The main challenge will be to channel these competing economic, development and security models towards a "race to the top" than enhances rather than erodes small-state development, security, and sovereignty.

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Security Without Institutions: China's Global Security Initiative and Fragmenting Order

Scott N. Romaniuk

Introduction

In 2026, China's Global Security Initiative (GSI, 全球安全倡议, *quanqiu anquan changyi*)—a foreign policy framework focused on enhancing global security governance, reducing conflict drivers, and promoting stability and long-term peace—marked its fourth anniversary. Introduced by President Xi Jinping at the Bo'ao Forum for Asia in April 2022 and developed further in China's Ministry of Foreign Affairs' 2023 Concept Paper, the GSI has been Beijing's most explicit attempt to reshape the foundations of international security governance and influence an international order that has persisted for more than seven decades.[1] Framed as a response to an increasingly fragmented and alliance-driven global system, the GSI presents a principle-based approach centered on sovereignty, regime stability, and opposition to bloc politics.

At its core, the GSI is grounded in Beijing's interpretation of "indivisible security" (安全不可分割, *anquan bu ke fen ge*), which holds that no state should enhance its own security at the expense of others.[2] Chinese officials promote the initiative as inclusive and non-interventionist (不干涉主义, *bu ganshe zhuyi*), contrasting it with liberal institutional models associated with alliances, conditionality, and external intervention.[3] Yet the GSI is not a standalone or fixed doctrine. It forms part of China's "four-in-one" (四位一体, *si wei yi ti*) architecture that also includes the Global Development Initiative (GDI, 全球发展倡议, *quanqiu fazhan changyi*), the Global Civilization Initiative (GCI, 全球文明倡议, *quanqiu wenming changyi*), and the emerging Global Governance Initiative (GGI, 全球治理倡议, *quanqiu zhili changyi*).[4] These initiatives integrate China's economic influence, governance agenda, cultural narratives, and security engagement into an overarching state-centric framework.

Within this architecture, the GSI serves as the security pillar intended to stabilize external environments while safeguarding China's global interests. Across Africa, the Middle East, Central Asia, Southeast Asia, Latin America, and South Asia, however, the initiative operates less as a coherent or institutionalized doctrine than as a flexible framework selectively adapted to diverse political contexts and domestic conditions. Regional responses have therefore been uneven, particularly in South Asia. Pakistan, for instance, has aligned closely with the initiative's security framing, while other countries, notably Bangladesh, Nepal, and Sri Lanka, have adopted more cautious and pragmatic forms of engagement.[5] India, by contrast, has been skeptical, regarding the GSI as an instrument of strategic expansion rather than cooperative security.

Normative Order Without Institutionalization

As the GSI forms part of China's broader strategy to reshape global governance, it operates alongside the GDI, GCI, and GGI, and can be understood as reflecting Beijing's vision of building a "shared future for mankind" (人类命运共同体, *renlei mingyun gongtongti*). As part of this broader strategy, the GDI advances economic connectivity and development, the GCI fosters cultural and normative affinity, and the GGI seeks to shape global governance practices. Official Chinese discourse presents the GSI through six commitments: promoting common and comprehensive security; respecting sovereignty and territorial integrity; adhering to the principles of the United Nations (UN) Charter; considering the legitimate security concerns of all states; resolving disputes through dialogue; and addressing both traditional and non-traditional security threats, including terrorism, cyber risks, climate insecurity, and biosecurity.[6]

Despite this expansive rhetoric, the GSI is neither a formal doctrine nor a military alliance. It lacks membership criteria, collective defense obligations, and permanent institutions. Instead, it operates at the level of norms and political discourse, repackaging long-standing principles of Chinese foreign policy as an alternative to the United States (U.S.)-led security order. At its core, the initiative advances a sovereignty–stability logic that prioritizes regime resilience, domestic control, and political order over accountability and external oversight. Consequently, security is framed less as the cooperative management of shared risks through interoperable institutions than as the assertion of sovereign authority and preemptive stabilization. The most striking aspect of this feature is how closely it mirrors China's domestic governance approach.

From a legal perspective, the GSI occupies an ambiguous position within the existing international order. Although Chinese officials frequently invoke the UN Charter, their emphasis on non-interference and sovereign discretion sidelines evolving international norms that increasingly condition state authority on responsibility. This is particularly the case in relation to human rights and civilian protection. Rather than replacing international law outright, the GSI selectively reinterprets it in ways that privilege political discretion over legal obligation.

Exporting Security Without Institutional Constraints

The GSI stems from Beijing's long-standing unease with alliance politics and intervention-prone security arrangements. By criticizing the "Cold War mentality" (冷战思维, *lengzhan si wei*) and military blocs, China has attempted to position itself as a defender of strategic autonomy. This framing resonates with many developing states increasingly wary of great-power rivalry and even the U.S.-led West. One of the most recent examples of this rhetorical framing is Li Song's reference to AUKUS at the 69th International Atomic Energy Agency (IAEA) General Conference in Vienna and what Beijing views as a Western revival of great-power politics in the Asia-Pacific.[7] The absence of binding commitments gives Beijing marked flexibility because it neither constrains Chinese behavior nor requires security guarantees in return. This allows Beijing to present cooperation in areas such as arms sales, intelligence sharing, police training, and internal security assistance as part of a broader vision of global stability.

This approach departs from prevailing security frameworks. Whereas the North Atlantic Treaty Organization (NATO) institutionalizes reciprocity, interoperability, and shared political commitments,[8] the GSI relies on discretionary, largely bilateral engagement. The Responsibility to Protect (R2P) doctrine—increasingly constrained in practice though still normatively alive—conditions sovereignty on civilian protection, whereas the GSI prioritizes regime authority and treats external intervention as destabilizing. Compared with United Nations (UN) peacekeeping, which supports ceasefires, stabilization, and political processes, the GSI places greater weight on internal security capacity and technological control, including digital surveillance tools. However, its long-term sustainability remains uncertain. Expanding security training, arms transfers, and digital infrastructure across many different regions requires substantial financial and technical capacity, and as China faces domestic economic pressures and growing external commitments, practical constraints could limit the initiative's scale and durability.[9]

Implementation in Practice: Instruments and Mechanisms

The GSI moves beyond abstract normative framing through practical mechanisms that embed Chinese security practices within partner-states. One major component is security-sector capacity building. China has expanded training programs for police, paramilitary, and intelligence personnel in South Asia, often focusing on counterterrorism, urban surveillance, and crisis response. Presented as technical cooperation rather than strategic alignment, these initiatives strengthen domestic control capacities without requiring formal alliance commitments.

China's arms transfers, ranging from small arms to advanced systems like drones and naval platforms, reinforce this. Because Chinese security assistance carries fewer political conditions than Western alternatives,[10] Beijing has become an attractive partner for governments facing internal unrest or external pressure. Equally important is the export of digital security infrastructure, including surveillance systems, data-management platforms, and so-called "Safe City" (平安城市, *ping'an chengshi*) technologies.[11] Huawei's "Safe City" solutions have included facial recognition, license plate recognition, social media monitoring, intelligent video surveillance, among other tools. According to open-source research by the CSIS Reconnecting Asia Project, Huawei's "Safe City" agreements had reached 73 across 52 countries, with many concentrated in Asia, Africa, and middle-income states.[12] "Safe City" projects illustrate how China's surveillance-oriented model of security governance can be exported and embedded within the domestic security systems of partner states, extending surveillance, predictive policing, and preventive control and reinforcing the initiative's emphasis on social management for regime stability.

The emphasis on social management is particularly concerning in security governance because it reframes insecurity primarily as a domestic and behavioral issue. This orientation steers security away from it being treated as an external threat. It encourages pre-emptive forms of control. While there is the potential for states to strengthen their capacities as international units and perhaps respond to crises in more efficient ways, they also shift the balance of security provision towards greater executive discretion and expanded monitoring authority.

Why South Asia Matters

The strategic relevance of South Asia to China stems from its geostrategic position, fragmented political landscape, and persistent interstate tensions. The region borders sensitive Chinese territories, including Tibet and the Xinjiang Uygur Autonomous Region (XUAR); provides access to the Indian Ocean; and contains critical maritime and energy routes. Most significantly, it includes India—the only regional power capable of simultaneously challenging China on land, at sea, and in the realm of normative influence. Regional fragmentation further increases South Asia's strategic value for Beijing, as weak institutions, uneven state capacity, civil–military imbalances, corruption, and recurring political volatility can make governments receptive to external partners that are both willing and able to provide investment and security cooperation without political conditionality.[13] This environment creates opportunities for China to expand its influence through development assistance, infrastructure investment, and security engagement, while avoiding the formal institutional constraints of traditional alliance systems.

The Political Economy of Security: Linking the GSI and BRI

Although treated as separate initiatives, the GSI and the Belt and Road Initiative (BRI, 一帶一路, *yidai yilu*) are closely intertwined. This is reflected in large-scale Chinese investments in infrastructure, logistics, and energy projects that have created extensive overseas assets needing protection, especially in politically fragile environments characterized by governance gaps and limited security provision capabilities. Projects such as the China–Pakistan Economic Corridor (CPEC, 中巴经济走廊, *zhong ba jingji zoulang*) expose Beijing to risks ranging from political instability to insurgent violence. The GSI provides a framework for justifying a more active security role abroad by linking security engagement to the protection of development and connectivity projects. This produces a reinforcing security–economic dynamic in which greater economic exposure drives demand for deeper security cooperation, which in turn helps stabilize political relationships and sustain further integration.

For recipient states, this integration creates both opportunities and vulnerabilities. Chinese engagement can strengthen infrastructure resilience and internal stability, but it can also deepen dependency as economic leverage and security cooperation become mutually reinforcing. At the same time, the expansion of

Chinese involvement into sensitive areas such as surveillance, digital governance, and internal security raises concerns over sovereignty, transparency, and long-term political influence, particularly in politically competitive systems where shifts in leadership or public sentiment may alter existing arrangements.

Regional Variation in GSI Implementation

Although South Asia provides the clearest illustration of the GSI's operational logic, similar patterns are visible across other regions. In Africa, the initiative is embedded within broader security–development cooperation involving peacekeeping training, policing partnerships, and African Union engagement. In the Middle East, it operates mainly as a diplomatic positioning tool through which China projects neutrality and promotes dialogue while avoiding binding security commitments.

In Central Asia, the GSI reinforces structures that are already in place, notably the Shanghai Cooperation Organisation (SCO, 上海合作组织, *Shanghai hezuo zuzhi*), and aligns closely with Beijing's domestic concerns regarding Xinjiang. In Southeast Asia, it complements Association of Southeast Asian Nations (ASEAN)-centered diplomacy by emphasizing non-interference amid territorial disputes in the South China Sea. In Latin America and the Caribbean, the initiative remains more discursive than operational but increasingly intersects with policing cooperation, cyber governance, and surveillance-related infrastructure.

Within South Asia, the initiative operates through differentiated bilateral relationships. Pakistan represents the deepest level of alignment, underpinned by long-standing military and intelligence cooperation that is increasingly framed through the GSI as part of a shared vision of regional stability, with both sides frequently characterizing the relationship as an "All-Weather Strategic Cooperative Partnership" or "iron brotherhood" (铁杆兄弟, *tiegan xiongdi*).[14] Sri Lanka's engagement is shaped primarily by infrastructure investment and debt exposure, especially in relation to port development and logistics corridors.[15] Bangladesh, Nepal, and the Maldives have pursued more cautious forms of cooperation centered on policing, training, and digital infrastructure while continuing to hedge between China, India, and other external actors.

Local Agency and Selective Adaptation

South Asian states are not passive recipients of Chinese influence, and their engagement with the GSI reflects selective adaptation shaped by domestic priorities and strategic considerations. Governments often embrace forms of cooperation that strengthen internal security, policing capacity, or infrastructure protection while avoiding explicit alignment with China's broader geopolitical agenda, allowing them to secure material and political benefits without entering formal strategic commitments. These patterns are strongly shaped by domestic political conditions: states facing instability or legitimacy pressures tend to be more receptive to the initiative's emphasis on regime security and sovereign control while those with greater institutional capacity or strategic autonomy engage more cautiously.

Security institutions and governing elites may welcome Chinese assistance where it enhances state capacity, whereas opposition parties, civil society groups, and segments of the public often raise concerns about surveillance, sovereignty, transparency, and economic dependence. These tensions are visible across the region: Chinese-linked infrastructure projects in Sri Lanka and Nepal have sparked debates over sovereignty and dependency, concerns over external influence are heightened in India by broader geopolitical rivalry, and even in Pakistan—despite strong state-level alignment—parts of civil society express unease about economic dependence and surveillance-capable infrastructure.[16] The GSI's effectiveness depends heavily on local political acceptance, making many forms of engagement contingent, uneven, and potentially reversible.

The GSI Through India's Lens

India views the GSI less as a cooperative framework and more as an instrument for expanding Chinese influence and constraining its regional position. The initiative's rhetoric of "indivisible security" is widely seen in New Delhi as inconsistent with China's behavior along the Line of Actual Control (LAC; 中印边境实际控制线, *zhong-yin bianjing shiji kongzhi xian*), infrastructure development in disputed territories, and its strategic ties with Pakistan.[17] In response, India has pursued a range of balancing strategies to offset China's regional influence, including strengthening the Quad through expanded defense cooperation and joint exercises, while also deepening engagement across Southeast Asia, the Persian Gulf, and Europe. Policy initiatives such as India and the United Arab Emirates' Comprehensive Security Partnership (signed in 2017) and Narendra Modi's "Link and Act West" (向西连接与行动, *xiang xi lian jie yu xing dong*) policy, which evolved from the earlier "Look West" policy, are indicative of a broader hedging strategy that seeks to diversify partnerships, reinforce India's regional role, and sustain support for a rules-based order.[18]

Beyond strategic balancing, India also challenges the GSI at the normative level. Indian policymakers and analysts criticize the weight it places on sovereignty and regime stability at the expense of accountability and institutional transparency, viewing it as a framework that may legitimize selective intervention aligned with Chinese interests. More broadly, the GSI operates in a contested regional environment shaped by competing external actors. The U.S., Japan, and European partners continue to promote alternative frameworks emphasizing transparency, institutionalization, and rules-based governance through infrastructure development, maritime cooperation, and capacity-building initiatives. These competing models constrain the GSI's appeal in contexts where China is viewed primarily as a strategic rival rather than a cooperative partner.

Power and Order Implications

South Asia is one of many regions that serve as a testing ground for the GSI. At the regional level, it contributes to increasingly multipolarized forms of security cooperation that have the potential to weaken already fragile multilateral institutions like the South Asian Association for Regional Cooperation (SAARC).[19] The GSI also challenges liberal approaches that link security governance to democratic accountability and human rights, with the potential to shift security practice toward more adaptable norms, discretionary cooperation, and regime-centered stability rather than institutional commitments and collective responsibility.

The GSI's principal advantage, its adaptability, is also a structural limitation. China can project a consistent normative vision while tailoring engagement to diverse political environments, as seen in this region. However, this comes at the cost of institutional depth and long-term coherence, given the absence of enforcement mechanisms, formal obligations, and standardized practices. This tension between adaptability and institutional weakness lies at the core of the initiative's uneven impact, as states selectively adopt, reinterpret, or resist its principles based on domestic and geopolitical interests. A further contradiction affecting its appeal lies in the disparity between China's advocacy of "indivisible security" and conduct that undermines the very stability the concept purports to support, particularly in the context of border disputes, coercive diplomacy, and asymmetric economic relations.

In this regard, developing countries' exposure to coercive diplomacy is often shaped by structural constraints, including economic dependence, limited access to alternative financing, and uneven institutional capacity, which can create asymmetric bargaining positions vis-à-vis China. In South Asia and beyond, these conditions may enhance the effectiveness of Chinese leverage in certain issue areas, particularly where urgent development needs or fiscal pressures narrow policy choices.

Conclusion: Projection Without Consolidation

The GSI can be interpreted less as an emergent collective security system than as a mechanism for projecting China's preferred security norms in the absence of binding institutionalisation. It affords Beijing considerable latitude to advance its security interests through a flexible, low-commitment framework that prioritises sovereignty, regime stability, and political order over conditionality, transparency, accountability, or institutional constraint. Embedded within the broader "four-in-one" architecture, it fuses security with development, governance, and cultural narratives, enabling cross-domain coordination without producing standardized rules or enforceable obligations. This structural ambiguity underpins both its adaptability and its limits: while the GSI can be selectively embedded in contexts such as infrastructure protection, capacity-building, and diplomatic signalling, it does not generate institutional convergence or durable security governance.

The initiative's future trajectory is likely to remain uneven and structurally constrained. It will continue to be shaped by intensifying China–India competition, the resilience of U.S.-led and regional security architectures, and divergent domestic conditions among partner states, including variations in stability, strategic autonomy, and receptiveness to Chinese-led frameworks. Rather than consolidating into a coherent system, the GSI is more plausibly evolving into a fragmented layer of global security governance—expanding China's discursive and diplomatic influence while simultaneously deepening institutional pluralism and strategic contestation in the international order.

At the same time, several features of the initiative generate significant limitations. Its normative ambiguity, emphasis on regime security, and reliance on discretionary cooperation risk undermining trust among partners and reinforcing perceptions of strategic opacity. These dynamics may, in turn, stimulate balancing behaviour, accelerate hedging strategies, and intensify concerns over sovereignty erosion, political dependence, and surveillance potential. In doing so, the initiative may inadvertently generate outcomes that are the inverse of its stated objectives, fostering strategic distrust and competitive balancing rather than consolidating a cooperative security order. Far from producing stability, the GSI's flexible architecture may therefore contribute to the very fragmentation it seeks to mitigate. In this sense, its defining strength—elasticity—also constitutes its principal constraint, limiting its capacity to generate durable legitimacy, institutional authority, or sustained collective commitment.

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4

Xi Jinping's Multilateral Diplomacy and Pakistan: China's Strategic Shield in International Institutions

Niklas Swanström

The relationship between China and Pakistan, frequently characterized as an "all-weather strategic partnership" or "iron brothers" relationship, finds its origins in the early 1960s, but has dramatically intensified under Xi Jinping's leadership. Following the Sino-Indian War of 1962, Pakistan emerged as China's principal strategic counterweight to India in South Asia. Relations strengthened significantly, and Pakistan arguably became China's closest ally, while not being unproblematic.

This partnership has deepened through decades of military cooperation, with China providing crucial support for Pakistan's nuclear weapons program and conventional military capabilities. However, the launch of the China-Pakistan Economic Corridor (CPEC) in 2015 profoundly transformed the relationship, from a primarily security-focused cooperation into a comprehensive strategic partnership encompassing economics, infrastructure, and regional connectivity.[1]

CPEC, valued at $65 billion as of 2025 and representing the flagship project of China's Belt and Road Initiative, has elevated Pakistan's strategic importance to China beyond traditional security calculations.[2] This figure is well above the initial estimate of $46 billion. As Jonathan Hillman and Maesea McCalpin documented in their analysis for the Center for Strategic and International Studies, CPEC represents the equivalent of all foreign direct investment in Pakistan since 1970 and constituted 17 percent of Pakistan's GDP already in 2015.[3]

This massive infrastructure investment, connecting China's Xinjiang region to the Arabian Sea port of Gwadar through a network of highways, railways, and energy projects, provides China with strategic access to the Indian Ocean while bypassing the Strait of Malacca chokepoint and secures additional transport hubs.

The economic dimension of CPEC intersects with longstanding military-strategic calculations to maintain a reliable counterweight to India, particularly as New Delhi deepens its partnerships with the United States, Japan, and Australia through the Quad framework. The geographical position of Pakistan, at the intersection of South Asia, Central Asia, and the Middle East, makes CPEC indispensable for Xi Jinping, considering his vision of securing China's western periphery and projecting power across Eurasia.

The strategic location of Pakistan induces powerful incentives for Beijing. China aims at insulating Islamabad from international pressure, even when doing so contradicts its stated commitment to global counter-terrorism cooperation and international norms, and to some extent its own security concerns regarding alleged militant activities linked to extremist groups.

Multilateral Shield in Action: The United Nations Security Council

China's diplomatic protection of Pakistan manifests most prominently in the voting pattern in the United Nations Security Council (UNSC), where Beijing has repeatedly used its veto power and procedural mechanisms to block Indian, and other states, efforts to designate Pakistan-based terrorist groups and individuals. The case of Masood Azhar, founder of the terrorist organization Jaish-e-Mohammed, exemplifies this pattern. Despite substantial evidence and broad international support, China blocked Azhar's designation as a global terrorist on four separate occasions between 2009 and 2019.[4]

The chronology of China's obstruction reveals a systematic pattern aimed at protecting Pakistan while safeguarding its own interests. In 2009, China first placed a technical hold on India's proposal to list Azhar on the UNSC's 1267 Sanctions Committee.[5] This technical hold was repeated in 2016 following the Pathankot airbase attack that killed seven Indian security personnel, again in 2017, and once more in March 2019 after the Pulwama attack that killed more than 40 Indian paramilitary personnel.[6] On each occasion, China claimed the evidence was insufficient, despite the fact that all other permanent members of the Security Council, the United States, United Kingdom, France, and Russia, supported Azhar's designation as a terrorist.

China's repeated and sustained use of the "technical hold" mechanism deserves particular attention. Under Security Council procedures, any member can place a six-month hold on a sanctions committee proposal, ostensibly to allow time for further deliberation. However, such holds can be extended indefinitely, effectively functioning as a de facto veto. As noted by the Indian government in relation to this case, China provided no substantive grounds for its holds, instead relying on opaque claims about the need for "more time to deliberate" and "consensus among members."[7] This procedural manipulation allowed China to shield Pakistan, while avoiding the political costs of an explicit veto in open session.

The United States circumvented this obstruction by introducing a resolution outside the 1267 Committee framework in 2019, which would have required China to publicly explain and defend any veto. Chinese Foreign Ministry spokesperson Hua Chunying strongly criticized this move as undermining the authority of the 1267 Committee.[8] Facing mounting international pressure and the prospect of having to openly defend its protection of a designated terrorist leader, China ultimately lifted its hold in May 2019, allowing Azhar's designation to proceed. Significantly, this shift occurred only after the proposal was revised to remove references to specific attacks, particularly the Pulwama incident, thereby enabling the remainder of Pakistan's broader support for Kashmiri separatist causes as legitimate.[9]

China has similarly obstructed efforts to designate other Pakistan-based terrorists, including Zaki-ur-Rehman Lakhvi, the operational commander behind the 2008 Mumbai attacks that killed 166 people, and Sajid Mir, another key figure in the Mumbai operation.[10] This systematic protection has provoked increasingly sharp criticism from India and its partners. India's External Affairs Ministry stated in 2017, "We are deeply disappointed that once again, a single country has blocked international consensus on the designation of an acknowledged terrorist and leader of UN-designated terrorist organization."[11]

The costs of this diplomatic protection deserves deeper analysis. Each Chinese veto or technical hold reinforces global perceptions of double standards in Beijing's approach to terrorism. While China aggressively pursues international support for its campaign against Uyghur separatists under its "three evils" doctrine targeting terrorism, separatism, and extremism, it simultaneously shields Pakistan-based groups that have killed thousands of civilians in terrorist attacks. This contradiction severely undermines China's credibility as a responsible stakeholder in the international counter-terrorism architecture. The claim is not that China is unique in this regard, it is not, but rather an indication of the importance of Pakistan for China.

Pakistan and the Financial Action Task Force

China's multilateral shield extends beyond the Security Council to economic institutions, most notably the Financial Action Task Force (FATF). FATF, established by the G7 in 1989, sets international standards for combating money laundering and terrorist financing. Pakistan's placement on the FATF "grey list" in June 2018, indicating strategic deficiencies in its anti-money laundering and counter-terrorist financing regime, represented a significant threat to its already fragile economy.[12] Grey-listing results in restrictive access to international financial markets, diminishes foreign investment, and subjects all financial transactions to enhanced scrutiny. This became a concern for China, it is would potentially impact all the development in CEPC. The circumstances under which Pakistan was grey listed are themselves revealing. According to research by the Indian Council of World Affairs, India played a central role in building the coalition necessary to overcome Chinese and Saudi resistance to Pakistan's listing.[13] The U.S. Acting Secretary of State Alice Wells stated explicitly that the decision was partly due to Pakistan's failure to take concrete action against Hafiz Saeed, the Lashkar-e-Taiba chief responsible for the Mumbai attacks, and terrorist organizations including Jaish-e-Mohammed.[14] It has been suggested that China ultimately agreed only after being promised vice-presidency of the FATF in exchange, something that has been formally denied.[15]

China then worked to systematically prevent Pakistan's uplift to the FATF blacklist, which would have imposed detrimental economic sanctions. Throughout Pakistan's four years on the grey list, from 2018 to 2022, China joined with Turkey and Malaysia in defending Pakistan during FATF plenaries.[16] Chinese diplomatic interventions proved to be crucial in multiple instances where Pakistan's compliance failures might otherwise have triggered blacklisting. Research conducted by the European Foundation for South Asian Studies estimated that FATF's grey-listing of Pakistan from 2008 to 2019 caused losses exceeding $38 billion to the country's GDP, underscoring the significant economic pressure that China helped Pakistan withstand.

Given that Chinese loans constitute more than one-fourth of Pakistan's total debt, and Pakistan's external debt reached 33.7 percent of its GDP in 2025, Beijing's strategic calculation were increasingly driven by the need to avert an economic collapse that would jeopardize its own regional investments.[17] A blacklisted Pakistan would have struggled to service its debt to China and might have been forced to turn to the International Monetary Fund, potentially exposing the opaque terms of CPEC agreements to international scrutiny. As suggested by analysts of the Lowy Institute, China's stakes in CPEC made it highly likely that Beijing would provide financial support to avoid Pakistan from turning to the IMF, and thereby keeping CPEC agreements confidential.[18]

Pakistan's removal from the grey list in October 2022 came only after Islamabad took tactical measures to demonstrate compliance, including the conviction of Hafiz Saeed and other high-profile terrorists. Despite UN blacklisting, Masood Azhar has never been prosecuted, and Hafiz Saeed, while supposedly imprisoned, was reportedly housed in a military-protected residence in central Lahore with extensive amenities. This pattern reveals how China's diplomatic shield allows Pakistan to make superficial compliance gestures while avoiding substantive action against terrorist infrastructure.

The Shanghai Cooperation Organisation and Counter-Terrorism Cooperation

The Shanghai Cooperation Organisation (SCO) presents a third arena where China's protection of Pakistan intersects with *proclaimed* counter-terrorism objectives. Established in 2001 with the core mission of fighting the "three evils" of terrorism, separatism, and extremism, the SCO operates through its Regional Anti-Terrorist Structure based in Tashkent. Pakistan's accession to full SCO membership in 2017, alongside India, theoretically subjected Islamabad to the organization's counter-terrorism framework and scrutiny.

However, reality has proven to be more complex. China has carefully managed the organization's counter-terrorism mandate to avoid the creation of mechanisms that could be used against Pakistan.[19] While the SCO's Regional Anti-Terrorist Structure (RATS) maintains a classified list of terrorist organizations and individuals that reportedly far exceeds the UN Consolidated List in scope, the organization's inherent operational opacity makes it impossible to verify if Pakistan-based militants are subject to meaningful oversight.

Internal contradictions within the SCO regarding Pakistan-based terrorism have become increasingly apparent. While the SCO-RATS is designed to synchronize regional security efforts, its efficacy is frequently compromised by fundamental definitional disputes. For instance, despite a 2017 consensus between China, India, and Russia to designate Jaish-e-Mohammed as a terrorist organization, Pakistan continues to oppose this classification and remains reluctant to act against the group.[20] This fundamental disagreement has paralyzed effective action. In June 2025, India refused to endorse a joint statement at the SCO defense ministers' meeting in Qingdao, China, citing concerns that it failed to reflect India's position on terrorism.[21] Defense Minister Rajnath Singh criticized the joint statement for its selective condemnation, noting that while it addressed militancy in Balochistan, it omitted the April 2025 Pahalgam massacre of 26 tourists. For New Delhi, this omission signaled a surrender to Pakistan's narrative and underscored the SCO's structural inability to confront states that employ cross-border terrorism as a strategic tool.

The SCO's structural features reinforce Chinese control over counter-terrorism cooperation. Joint military exercises, while portrayed as counter-terrorism cooperation, carefully avoid scenarios that might implicate Pakistan. The 2025-26 Pakistani chairmanship of the SCO's counter-terrorism body highlights the organization's internal contradictions, effectively allowing Islamabad to shape the regional security agenda despite persistent international allegations regarding its support for proxy groups. This arrangement emphasizes how China has transformed the SCO from a potentially constraining institution into one that provides Pakistan with multilateral legitimacy.

The Chemistry of Sino-Pakistani Multilateral Cooperation

The effectiveness of China's multilateral shield depends significantly on the chemistry and coordination between Chinese and Pakistani diplomats across international forums. This coordination operates at multiple levels, from working-level cooperation in technical committees to high-level strategic consultations. The joint statement by Chinese Premier Li Qiang and Pakistani Prime Minister Shehbaz Sharif in October 2024 explicitly demonstrated this coordination. "In light of Pakistan's term as a non-permanent member of the U.N. Security Council from 2025 to 2026 and China's assumption of the rotating presidency of the Shanghai Cooperation Organisation, the two sides agreed to further strengthen communication and collaboration in international affairs."[22]

This coordination manifests in carefully calibrated communication on counterterrorism. Both countries emphasize their commitment to fighting terrorism "in all its forms and manifestations" while simultaneously opposing "the politicization and instrumentalization of counterterrorism." This shared rhetoric provides cover for a selective application of counter-terrorism norms and aggressive action against groups threatening Chinese or Pakistani state interests while protection for groups like Jaish-e-Mohammed and Lashkar-e-Taiba that target India. The joint statement's language about working "with the international community to strengthen multilateral counter-terrorism cooperation within frameworks such as the U.N. and the SCO" creates an appearance of multilateral engagement that belies the reality of bilateral coordination to shield Pakistan-based terrorism.

The multilateral cooperation extends to mutual defense against criticism. When Pakistan faced pressure over CPEC's debt implications, Chinese and Pakistani officials coordinated responses emphasizing mutual benefit and development. Pakistani military leadership issued strong statements, with the Chief of Army Staff declaring from Beijing that "BRI [Belt and Road Initiative] with CPEC as its flagship is destined to succeed despite all odds and Pak Army shall ensure security of CPEC at all costs."[23] This military-to-military coordination reinforces diplomatic cooperation, creating a comprehensive protection against international pressure.

Strategic Costs and Sustainability

China's multilateral protection of Pakistan carries significant costs that merit careful analysis. The reputational damage is substantial and cumulative, and Beijing is not always comfortable with the situation. Each veto or intervention in international institutions reinforces perceptions that China applies double standards to terrorism, undermining its broader claims to champion a fair and just international order. This contradiction creates vulnerabilities in China's relationships with countries that have suffered from Pakistan-based terrorism and undermines the Chinese argument that "western" states, often the U.S., have double standards. It is the case not only for India but also for Afghanistan, where Taliban operations represent a threat to Chinese interests in Central Asia, and to Pakistan itself.

Within the SCO, China's protection of Pakistan obscures relationships with other member-states concerned about regional stability. Russia, despite its strategic partnership with China, has repeatedly supported Indian positions on designating Pakistan-based groups as terrorist organizations. Central Asian states, while dependent on Chinese economic engagement, harbor deep concerns about the nexus between Pakistani-based groups and militants operating in their territories. China's constant protection of Pakistan despite these concerns endangers SCO's effectiveness and credibility as a regional security organization.

As Sino-Indian competition intensifies, the question of sustainability becomes acute. India's growing economic and technological capabilities, combined with deepening security partnerships with the United States, Japan, Australia, and European powers, create increasing costs for China's Pakistan-centric South Asia strategy. Each Chinese intervention to protect Pakistan provides concrete evidence of Chinese instrumentalization of international institutions for its own benefit, arguments increasingly prevalent in Washington and allied capitals. This evidence proves to be particularly valuable for those arguing that China represents a systemic challenge to the rules-based international order.

Future Implications and Conclusions

China's multilateral shield for Pakistan ultimately reveals fundamental tensions within Beijing's approach to international institutions under Xi Jinping's leadership. The gap between China's rhetoric about counter-terrorism cooperation and its actions in shielding Pakistan from accountability demonstrates the limits of the expectation of a Chinese integration into existing institutions as to produce normative convergence. Rather than being socialized by participation in international institutions, China has proven itself as being adept at manipulating institutional mechanisms, from UNSC technical holds to FATF grey-listing procedures to SCO counter-terrorism frameworks, all so as to advance its strategic interests.

For India, this behavior reinforces the logic of deepening security partnerships with the United States and other democracies. The failure of multilateral mechanisms to address Pakistan-based terrorism, despite overwhelming evidence and broad international consensus, corroborates India's assessment that bilateral and minilateral partnerships offer more reliable security cooperations than institutions where China exercises veto power. India's refusal to endorse SCO statements that ignore Pakistani terrorism and its leadership of the Quad framework reflect this strategic reorientation.

For smaller states, China's protection of Pakistan illustrates how great power rivalry can paralyze multilateral mechanisms, fundamentally designed to address transnational threats. The SCO, FATF, and UNSC sanctions committees all theoretically operate on principles of evidence-based decision-making and consensus. Yet, in practice, Chinese strategic interests override these principles, transforming institutions meant to provide collective security into arenas for great power competition.

Looking forward, the sustainability of China's multilateral shield faces growing challenges. As Pakistan's economic crisis deepens and its dependence on Chinese financial support increases, the contradiction between China's global aspirations and its active protection of a failing state becomes harder to manage. The costs of this protection, in terms of reputational damage, strained relationships with other states, and evidence for critics of Chinese intentions, accumulate. Whether these costs ultimately force a recalibration of Chinese policy, or whether Beijing doubles down on its Pakistan commitment represents one of the key uncertainties in Asian security dynamics.

The broader lesson concerns the future of multilateral cooperation in an era of great power competition. China's systematic manipulation of international institutions to protect Pakistan demonstrates that institutional participation alone does not guarantee normative compliance, and this is not distinctive to China but rather a norm among Great Powers. As the systemic rivalry between Beijing and Washington intensifies, the subordination of multilateral norms to national strategic imperatives will increasingly define the international order. The challenge for defenders of the rules-based international order is to develop mechanisms capable of maintaining institutional effectiveness even when major powers seek to instrumentalize them for strategic advantage. China's multilateral shield for Pakistan provides a case study in this challenge, revealing both the vulnerabilities of existing institutions and the urgent need for reform.

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PART II

CPEC on Ground: Innovation and Control


CPEC in Balochistan:
The Strategic Hub of the Corridor
Balochistan serves as the strategic gateway for CPEC, anchored by the deep-sea port at Gwadar. While the region is the focus of massive infrastructure and industrial investment, it remains a focal point for security concerns and complex provincial-federal dynamics.
STRATEGIC INDUSTRIAL & PORT HUBS
$230M
INTERNATIONAL AIRPORT
$100M
HOSPITAL
$270M
FREE ZONE
SPECIALIZED ECONOMIC ZONES (SEZs)
Gwadar SEZ
Bostan SEZ
Development is centered on the Gwadar SEZ and the Bostan SEZ to boost industry.
$4.5 BILLION
AGRICULTURAL PIPELINE
Major B2B investment focused on modernizing regional farming and export-oriented agriculture.
GWADAR: THE CPEC CENTERPIECE
Gwadar's Critical Infrastructure Status & Costs
Project
Status
Cost (USD)
New Gwadar Intl. Airport
Completed
$230 Million
Eastbay Expressway
Completed
$179 Million
Caal-fired Power Plant (300mw)
Dec 2026 (Expected)
$542 Million
CRITICAL REGIONAL CHALLENGES
SECURITY
SECURITY RISKS IN BALUCHISTAN
Persistent security challenges serve as a primary limitation to consistent project completion rates.
PROVINCIAL–FEDERAL TENSIONS
Ongoing disputes regarding the equitable distribution of national resources and investment competition.
DEBT & INSTITUTIONAL SILOS
High reliance on external borrowing creates fiscal constraints and fragmented decision-making.

5

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

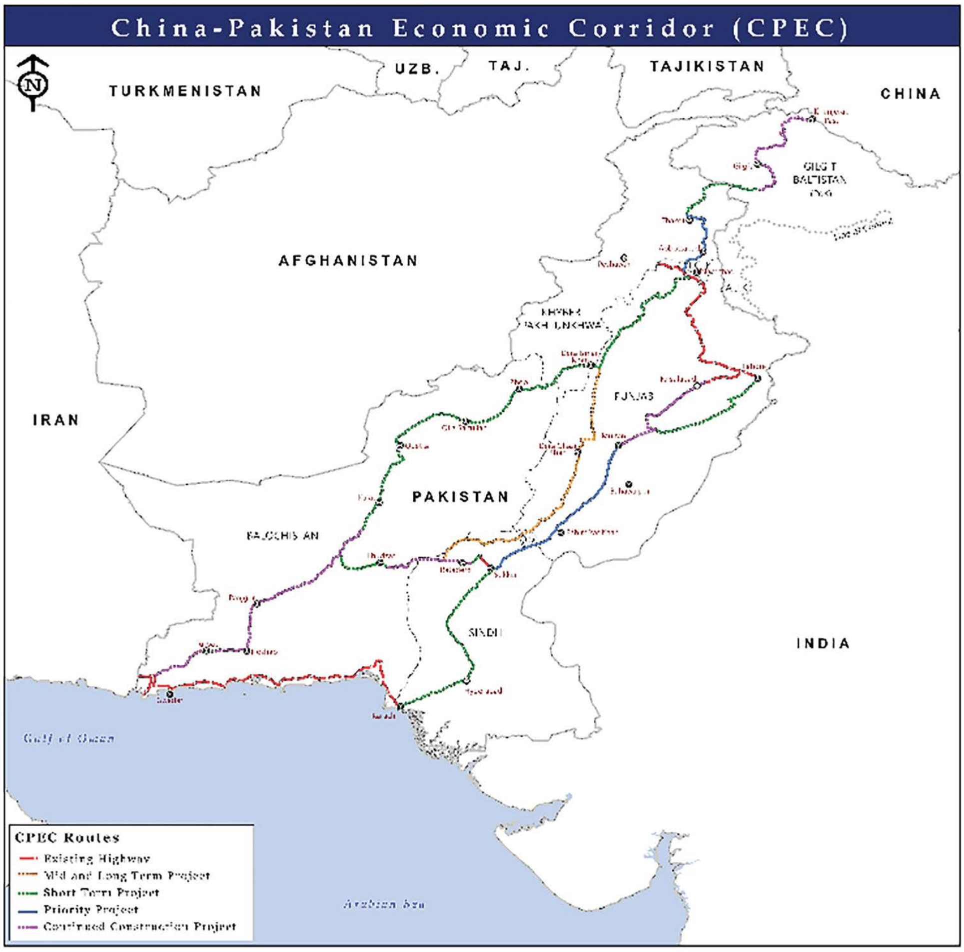
Jagannath Panda, Anne Weiler, Sevil Khikmatova, and Tristan Eng

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 outcomes 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.



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

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]

CPEC was first envisioned in 2013 through the signing of a Memorandum of Understanding and the formulation of a Long-Term Plan, while the CPEC Framework Agreement signed on July 5, 2015, formally launched the initiative under the banner of "Early Harvest" projects. By 2017, the Long-Term Plan had taken institutional shape through important projects such as the Main Line-1 (ML-1) Railway Project, extending implementation timelines to 2030. 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?

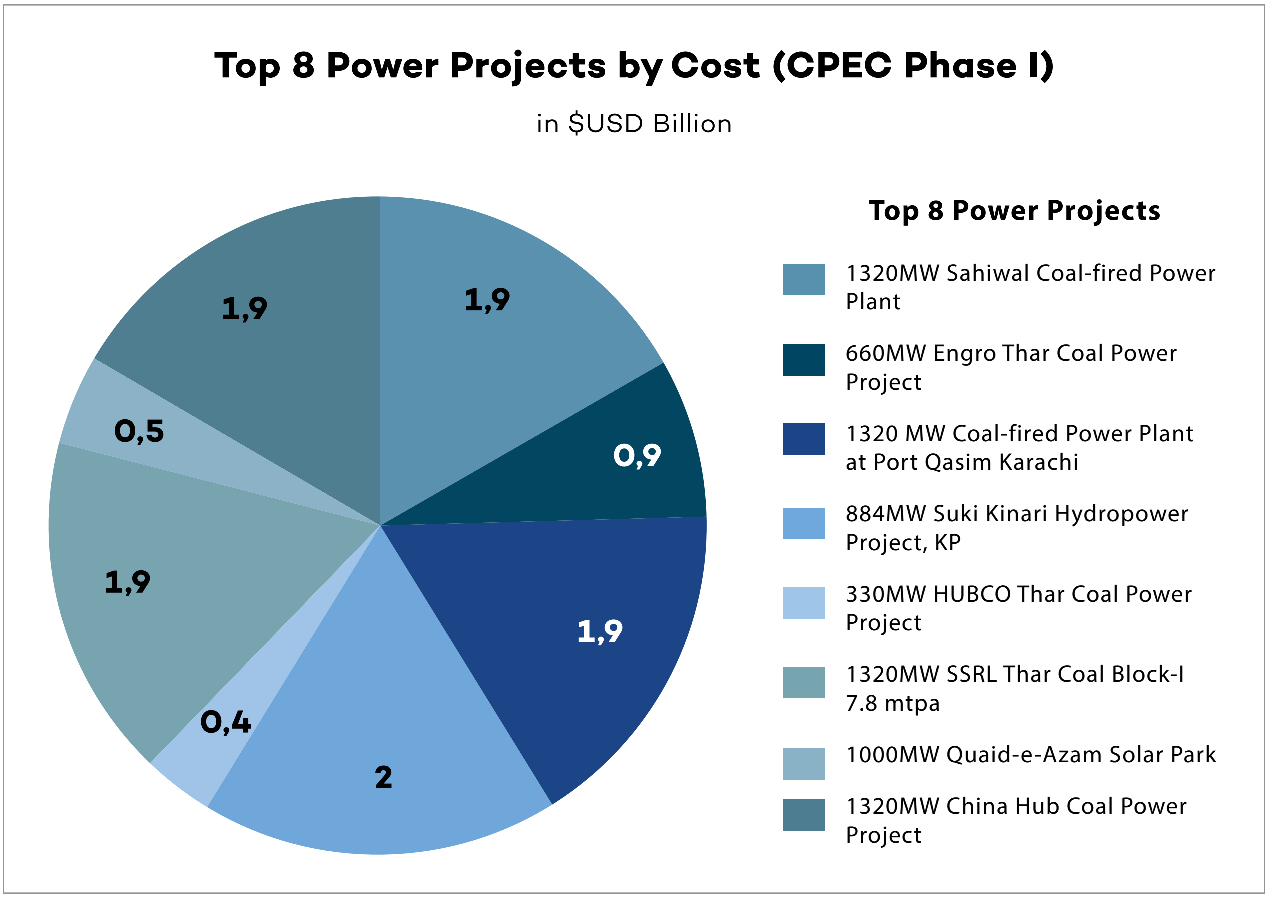
Phase I: Infrastructure Expansion and Structural Limits

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 5.1). 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 at its peak 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]

Figure 5.1: Top 8 CPEC Power Projects in Phase 1 (in USD billion)



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

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, 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 infrastructure projects has been constrained by several structural factors. While infrastructure construction has progressed rapidly, the broader industrial transformation envisioned under CPEC 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 CPEC "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 5.1). These structural constraints have raised concerns among policymakers and analysts regarding the long-term sustainability of the corridor.

Table 5.1: 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.

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 5.2).

Table 5.2: 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 Infrastructure	**~$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.

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 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 5.3). 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 5.3: 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)

Meeting	Year	Pakistan Attendees	China Attendees
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)
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, 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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6

False Promises, Real Leverage: SEZs under CPEC in Pakistan

Sriparna Pathak

Introduction

In 2021, during a speech at the United Nations General Assembly (UNGA), Chinese President Xi Jinping proposed the Global Development Initiative (GDI) as a major multilateral initiative. One of the proposed goals of the GDI is to accelerate the implementation of the UN's 2030 Agenda for Sustainable Development Goals (SDGs), by revitalizing global development partnerships, and by focusing in greater depths on greener and healthier development.[1] Additionally, the GDI emphasizes priorities such as poverty alleviation, food security, climate change responses, pandemic prevention, digital economy, connectivity, green development and innovation- driven growth.[2] Early supporters of the GDI were Cambodia, Laos, and Pakistan. In fact, despite the ambiguity on what the GDI would actually entail, more than 100 countries and international organizations expressed their support for the initiative, and 50 countries in January 2022 joined the UN Group of Friends of the Global Initiative, which was set up by China.[3] Pakistan's immediate backing of the initiative was not surprising, given that it supports China on almost all its initiatives, if not all, at the UN. Pakistan has repeatedly spearheaded or supported joint statements at the UN defending China's actions in Xinjiang, Hong Kong, and Tibet, opposing the "politicization of human rights" by Western countries.[4] China and Pakistan, have pledged support to each other on "core and major interests", as well, which includes cooperation to address terrorism, and in turn China, as a member of the permanent five members of the UN Security Council (UNSC), blocked efforts to list Pakistani terrorists.[5] There are scores of such examples where Pakistan steadfastly supports China in return for promises of development.

If some of the few areas that the GDI seeks to address through multilateral cooperation are analyzed, i.e. those of poverty alleviation, food security, digital economy and innovation-led growth, Pakistan fares poorly in all of them. Pakistan's rankings in these indicators are given in Table 6.1.

Table 6.1: Pakistan's rankings in some of the realms addressed by GDI

No.	Realm	Ranking	Ranking Agency
1.	Poverty alleviation	Pakistan ranks among the top five countries globally with the highest number of people living in poverty	Human Development Index[6]
2.	Food Security	Pakistan ranks 109th out of 127 countries in the 2024 Global Hunger Index	Global Hunger Index[7]
3.	Digital economy	Pakistan ranks 68th in the Huawei Global Digitalization Index 2024	Huawei, China[8]
4.	Innovation led growth	Pakistan ranks 99th among 139 economies	Global Innovation Index, World Intellectual Property Organization[9]

Despite the rhetoric of the all-weather friendship, while China has promised funding for new projects under the China Pakistan Economic Corridor (CPEC), it has also cited risks to personnel, unpaid debts and Pakistan's deteriorating economic conditions. Key projects, like the $6.7 billion Main Line-1 (ML-1) railway has stalled, forcing Pakistan to seek alternative financing from the Asian Development Bank (ADB).[10] What thus remains odd is China's offer of the GDI to Pakistan, and Pakistan's immediate acceptance of the GDI. The explanation lies in China's increasing grip over Pakistan, with its false promises and myriad formats of influence operations, of which economic maneuvers stand out.

Special Economic Zones (SEZs): Creation of Industrial Leverage and Dependency

The CPEC is a flagship project of the Belt and Road Initiative (BRI), and includes plans for SEZs to drive industrialization, to attract foreign investment, to boost exports, to create jobs and to foster technology transfer. The CPEC Secretariat Office, Islamabad, states that the fiscal benefits under the SEZ law, include a one-time exemption from custom duties and taxes for all capital goods, imported into Pakistan, for "the development, operations and maintenance of a SEZ (both for the developer as well as for the zone enterprise) and exemption from all taxes on income for a period of ten years."[11]

In this context, it is pertinent to understand the difference between CPEC Phase 1 and CPEC Phase 2. Phase 1 of the CPEC, or roughly the time period between the years 2015-2020, focused on foundational infrastructure, energy ports and Gwadar Port development, with the additional aim of resolving power shortages. Phase 2 in contrast, from 2021- 2025 and onwards, tries to pivot towards industrialization, through greater focus on SEZs, agriculture and socioeconomic development, while expanding the digital and technology sectors, with the aim to boost Pakistan's export capacity.[12]

As of early 2026, 44 SEZs are proposed under the CPEC 2.0, focusing on sectors like textiles, agriculture, and manufacturing.[13] Initially, nine SEZs were planned to accelerate industrialization.[14] The four priority SEZs at advanced stages include Rashakai (Khyber Pakhtunkhwa), Allama Iqbal Industrial City (Punjab), Dhabeji (Sindh), and Bostan (Balochistan).[15]

a) Rashakai (Khyber Pakhtunkhwa):

The announcement of the Rashakai project was made in 2016-17 while the development push for it began around 2019-20. The site was identified by the Khyber Pakhtunkhwa government and formally approved for inclusion in the CPEC during the 6th Joint Cooperation Committee meeting on December 2016, in Beijing.[16] After a gap of three years, a Memorandum of Understanding (MoU) was signed between the Khyber Pakhtunkhwa Economic Zone Development and Management Company (KPEZDMC) and the China Road and Bridge Corporation (CRBC).[17] The duration between identification and approval of the site and the signing of the MoU cannot be missed. The formal concession agreement was only signed in April 2019.[18] The development agreement was signed on September 14, 2020, and the groundbreaking was finally conducted on May 28, 2021.[19]

In 2024, it was reported that bottlenecks like the lack of ease of doing business, and governance issues were major problems in the Rashakai SEZ. Additionally, the failure to address the issue of bulk rates of provision of electricity to SEZs was another major hurdle.[20] Liaquat, Ahmed, Malik, Bangash and Islam in their research on the Rashakai SEZ note that challenges such as high interest rates of 21-22 percent, inflation at 30-35 percent, limited infrastructure and poor connectivity with ports hindered industrial growth; reliance on imported raw materials further exacerbated trade imbalances, while high energy costs and irregular power supplies continue to disrupt industrial productivity, "highlighting the need for reliable utilities, and cost-effective solutions."[21] While some infrastructure has been completed in the first phase of the project in Rashakai, the SEZ faces delays in providing basic utilities such as electricity to the end users' enterprises, to initiate commercial activities. In 2024, it was reported that the Pakistani Federal Minister for Planning, Ahsan Iqbal, instructed the government departments concerned to confirm land prices to the China Century Steel Mills, as the company sought land on discounted rates in Rashakai.[22] The backdrop to this was communication from the Rashakai Special Economic Zone Development and Operations Company (Pvt.) Limited (RSEZDOC) which warned the government that industrial cooperation between China and Pakistan will be "affected" if issues of SEZ are not settled by the government.[23] The warning was conveyed by Chief Executive of the RSEZDOC, Lyu Ming, in a letter to the Secretary of the Power Division, Pakistan, a copy of which was also shared with Iqbal.[24]

b) Allama Iqbal Industrial City (Punjab):

A premier 3217-acre SEZ located in Faisalabad in Pakistan's Punjab province, the Allama

Iqbal Industrial City is near the M-4 motorway Sahianwala Interchange. It aims to attract both foreign and domestic investment by offering a 10-year tax exemption and duty-free import of machinery.[25] Inaugurated in January 2020 by former Prime Minister Imran Khan, the SEZ is being developed by the Faisalabad Industrial Estate Development and Management Company (FIEDMC), and is the only priority CPEC SEZs where industrial production has commenced.[26] The SEZ was conceptualized and approved in 2016 following the 6th Joint Cooperation Committee (JCC) meeting.[27] By mid-2021, reports indicated that the first phase of the project had been completed. Around 20 industrial units had either begun production or initiated construction covering approximately one-third of the first phase.[28]

However, the SEZ has faced significant operational inefficiencies, as well as environmental and community-related challenges. Karim, Xiang and Hamid (2024) found that the Allama Iqbal SEZ was developed on land predominantly occupied by farmers whose property was acquired for the project. Although farmers received monetary compensation, much of it was reportedly used for personal consumption rather than productive investment, generating limited long-term economic benefit. Consequently, substantial public funds were expended without commensurate gains, contributing to concerns about underperformance.[29]

The SEZ has also been linked to environmental and public health issues in surrounding areas. Reports indicate increased cases of respiratory and water borne diseases, attributed to industrial pollution and water contamination.[30] The hazardous accumulation of industrial waste has further affected the local environment and community health.[31] Also, the surge in heavy machinery and industrial traffic has led to increased traffic jams and road accidents, often exacerbated by the narrow roads.[32]

The challenges mirror issues observed in other China-backed SEZs abroad, including the Morowali Industrial Park in Indonesia,[33] the Cambodia-Sihanoukville SEZ,[34] and the Laos-Saysettha Development Zone,[35] among others.

c) Dhabeji (Sindh):

The Dhabeji Special Economic Zone (DSEZ) in Sindh is another priority 1,530-acre CPEC project, aimed at boosting industrialization through public-private partnership (PPP). Located in Thatta, the DSEZ is close to Port Qasim and seeks to attract investment in specialized sectors such as pharmaceuticals, textiles, and electronics, with major commercial launches anticipated in 2026.[36]

The DSEZ was initially conceptualized in 2016, and was granted an SEZ status in 2023. Like the Rashakai and Allama Iqbal SEZs, the long gap between conceptualization and actualization cannot be missed. A feasibility study was completed in April 2018, followed by the formal launch the Sindh government in October 2019. In February 2022, a concession agreement was signed to develop the zone under a PPP model. In 2022, then Prime Minister Imran Khan expressed displeasure over delays in the project's launch and urged the provincial government to provide an additional 1500 acres of land that had been promised for its expansion.[37]

In 2025, the Sindh government signed an agreement with Chinese and local investors to develop the DSEZ under Phase 2 of CPEC. The agreement was signed by the Sindh Economic Zones Management Company Chief Executive, Abdul Azeem Uqaili, Zahir Khan & Brothers (ZKB) CEO and Chairman, Mohabat Khan, and Cheng Qiang of Power China International, with the support of China's National Development and Reform Commission.[38] Although the DSEZ was initially part of CPEC's first phase, it now features in the second phase.

Despite its strategic importance, the DSEZ has already faced significant challenges, including slow development progress, with construction only around 10.6 percent complete as of early 2025.[39] Additional issues include land encroachment, regulatory delays, and infrastructure shortcomings.[40]

d) Bostan (Balochistan): The Bostan SEZ is a 1000-acre CPEC industrial zone located in Pishin, Balochistan, near the N-50 national highway.[41] Approved in 2020, its 200-acre Phase 1 features operational, under construction and planned units aimed at boosting local employment, agriculture and food processing.[42] Expected to create 55,000 to 100,000 jobs, the Bostan SEZ is envisioned as a major hub for socio-economic development in the province. In 2021, a delegation from the Rawalpindi Chamber of Commerce and Industries was given a tour of the Bostan SEZ by the Balochistan Board of Investment and Trade.[43]

In October 2025, the Balochistan High Court directed the relevant authorities to make the zone fully functional by mid-December.[44] However, as of early 2026, no public confirmation has indicated that the SEZ has become fully operational.

The project has been hindered by persistent security issues in Balochistan, creating a high-risk environment for workers and investors. In October 2024, for instance, coal mines in the Duki district were attacked by gunmen, resulting in the deaths of 20 workers in a rocket attack.[45] Duki lies approximately 150 kilometers from the Bostan SEZ. More broadly, Balochistan has witnessed numerous attacks targeting workers, infrastructure and investors in different areas including Gwadar (in January 2026), Mastung, Pasni, Kalat, Quetta and Duki, underscoring the tense security environment in which the SEZ operates.

In addition to security concerns, the Bostan SEZ has experienced significant delays in the provision of essential infrastructure and utilities, like gas, water and electricity, which are needed to make the zone fully functional.[46] Additionally, there is an acute shortage of skilled labor.[47] Although Pakistan has a large workforce, there is a severe gap in vocational and technical skills that are required for manufacturing or machinery operations—only about 7 percent of the labor force is considered to be skilled or semi-skilled.[48] The SEZ has also faced resistance from the local community, in addition to investors reporting slow bureaucratic processes, including delays in customs clearance for machinery and capital equipment.[49]

As observed in the cases of the Rashakai SEZ, the Allama Iqbal Industrial City, the Dhabeji SEZ, and the Bostan SEZ, slow implementation, bureaucratic hurdles, and security concerns remain recurring challenges in China-funded SEZs in Pakistan. Despite these persistent issues, China and Pakistan have continued to expand the number of proposed SEZs under the CPEC 2.0 framework, with approved zones increasing from seven in 2019 to 44 by early 2026. The anticipated economic returns have yet to materialize at the levels initially projected. This raises broader questions regarding the long-term viability, strategic motivations, and developmental outcomes associated with the continued expansion of SEZs under the evolving China–Pakistan partnership. One rational explanation is that as China's grip over Pakistan tightens, Pakistan's willing alignment with China on all aspects of international relations has been on an upward swing.

China's Energy Corridors and Railway Networks in Pakistan

The primary energy and infrastructure corridor of the PRC in Pakistan is the China–Pakistan Economic Corridor (CPEC), a flagship project of the Belt and Road Initiative (BRI). Envisioned as a strategic link between Kashgar in China's Xinjiang region and Gwadar Port in Pakistan, the corridor runs largely through the Karakoram Highway (KKH) and is designed to integrate transport, energy, and industrial infrastructure. While the stated objectives of the BRI and CPEC—regional connectivity, economic growth, and energy security—are ambitious and outwardly developmental, a closer examination of outcomes on the ground presents a far more complex picture. The main components of China's energy corridor in Pakistan are outlined in Table 6.2.

Table 6.2: Major Components of China's Energy Corridor in Pakistan

No.	Name of the component/project	Stated purpose
1.	Gwadar Port and Pipeline	The deep-sea port serves as a pivotal energy hub at the mouth of the Strait of Hormuz, planned for oil and gas infrastructure
2.	Karakoram Highway (KKH) Expansion	Often called the China-Pakistan Friendship Highway, this route acts as the main artery for land-based connectivity
3.	CPEC Energy Projects (includes 1320MW Coal-fired Power Plant at Port Qasim, Karachi; 1320MW China Hub Coal Power Project, Balochistan; 660MW Engro Thar Coal Power Project; 1000MW Quaid-e-Azam Solar Park (Bahawalpur)	To generate energy, coal and solar.
4.	Green Corridor (CPEC 2.0)	A newly proposed initiative focusing on renewable energy and environmental sustainability.

Source: Author, compiled from various news sources.

The Gwadar Port and adjoining Free Zone are considered as the cornerstone of the CPEC. The Gwadar Port concession agreement was originally signed in 2007 with the Port of Singapore Authority International (PSAI), under a Build-Operate-Transfer arrangement.[50] However, the PSAI was unable to develop the port and its free zone as envisaged, and in 2013, China Overseas Ports Holding Company assumed operational control. Thus, the core terms and conditions governing the port were defined long before the CPEC came into being.[51] As of 2026, the Gwadar Port is fully functional, with the Phase 1 Free Zone completed.[52] The Gwadar Eastbay Expressway was inaugurated in June 2022, and it connects the port to the Makran Coastal Highway, while the New Gwadar International Airport was inaugurated in 2024, to enhance regional connectivity.[53] A 5MGD water desalination plant is in progress.[54] Yet, beyond the fanfare, the Gwadar Port cannot handle even half of Pakistan's cargo shipments, as it only manages around 11 million tons of bulk cargo annually, which is roughly 17 percent of Karachi Port's capacity.[55] While the government has set ambitious goals to route 50 percent of public cargo through Gwadar, limited infrastructure and security issues make the target unrealistic.[56] The region itself has faced many security challenges, which have slowed development, but the efforts to build a "Smart Port City" under the 2050 Master Plan continue.[57]

The Karakoram Highway (KKH), 1300 kilometers long, was completed in 1979, and operationalized in 1986, again much before the CPEC was conceptualized. It was included in the CPEC framework upon its formal launch in 2013.[58] Between 2013 and 15, the KKH was expanded, with major projects like the 24-km Attabad Lake bypass tunnels, which were inaugurated in 2015. Phase II, involving reconstruction of the Raikot–Havelian section, was initiated following a 2014 MoU, with construction commencing in 2016 and supported by loan agreements between China Eximbank and the Government of Pakistan..[59]

Despite China's sophisticated plan to develop the transit corridor, the KKH remains vulnerable to geological and climatic disruptions. In 2010, a massive landslide in the Hunza Valley submerged sections of the highway, creating a 20-km-long artificial lake and halting traffic between China and Pakistan for months.[60] Even in 2025, reports indicated periodic blockages near Rakaposhi viewpoint and Passu due to protests by "local China importers"[61] and heavy snowfall.[62] Such recurring disruptions continue to challenge its viability as a stable transit route linking Xinjiang to Gwadar.

The energy dimension of CPEC, initially presented as a solution to Pakistan's chronic power shortages, also presents a mixed record. Major projects include the Port Qasim Power Project, the Hubco Coal Power Project, the Engro Coal Power Project, and the Quaid-e-Azam Solar Park at Bahawalpur.

The Port Qasim Power Project had its groundbreaking in April 2015, and the project became operational in 2018.[63] By early 2025, accumulated payment arrears had reportedly reached Rs 93.5 billion, reflecting broader circular debt and liquidity challenges within Pakistan's energy sector. In 2025, Wang Dongfang, the CEO of

Port Qasim Electric Power Company (Private) Limited (PQEPC), stated that the total payment due for the project had reached Rs 93.5 billion (approximately $334 million) as of February 26, 2025, with a payment delay of over six months, and this could escalate further.[64] In November 2025, frustrated by unpaid dues, Qatari giant Al-Thani Group, expressed its intention to withdraw from the Port Qasim Power Project.[65]

The story for the 1320 MW China Power Hub Generation Company coal-fired power plant in Balochistan is no different, as it faces operational issues, including chronic financial liquidity problems, severe security threats from local groups, and local resentment over resource exploitation.[66] The 660MW Engro Thar Coal Power Project, while boosting Pakistan's energy supply, faces severe problems regarding environmental degradation, social displacement, and water scarcity. Major issues include high pollutant emissions, destruction of local grazing land, groundwater contamination, and displacement of indigenous communities.[67] The 1000MW Quaid-e-Azam Solar Park (QASP) in Bahawalpur faces significant operational challenges, primarily high efficiency losses (up to 23 percent) due to heavy dust/soiling in the Cholistan desert. Other issues include construction delays in later phases, tariff disputes, and financial management challenges regarding debt repayment and payment delays to Chinese investors.[68] By 2022, unpaid dues to Chinese investors, and developers had reached roughly $52 million.[69]

More broadly, the so-called "Green" or "Growth Corridor" under CPEC 2.0, has encountered financial constraints, security risks, environmental concerns and governance challenges.[70] While not all projects have failed, many operate below expectations or under persistent structural strain. The question that arises here is what does Pakistan gain from these false promises? What tangible and sustainable benefits accrue to Pakistan, and how might future initiatives—whether under CPEC 2.0 or broader frameworks such as the Global Security Initiative—be recalibrated to address the lessons of the past decade? Table 6.3 shows some impacts of CPEC driven diplomatic alignment on Pakistan's support for China in UN bodies.

Table 6.3: China's Investments and Pakistan's Multilateral Backing, a case of quid pro quo

Number	Year	Event
1.	2021	Prime Minister Imran Khan's admission in 2021, "Because of our extreme proximity and relationship with China, we actually accept the Chinese version [on the Uyghur issue]".[71]
2.	2022	Pakistan's economic dependence on Chinese loans and CPEC pressured it to endorse China's Xinjiang policies at the UNHRC, with PM Imran Khan accepting China's version amid CPEC Phase II commitments.[72]
3.	2022	In the UNHRC vote rejecting a Xinjiang debate (19-17), Pakistan voted against alongside China; analysts attribute this to BRI/CPEC economic influence swaying Global South allies.[73]

Number	Year	Event
4.	2023	In the joint statement on the Third Belt and Road Forum, Pakistan recognized CPEC's fruitful results as a BRI pioneer, reaffirming support for China's core interests (including Taiwan and multilateral coordination) in UN and other forums, linking economic gains to diplomatic solidarity.[74]
5.	2024	Pakistan firmly supported all efforts made by China to achieve national reunification, firmly opposing any form of "Taiwan independence," and expressed firm support for China on issues concerning Xinjiang, Xizang, Hong Kong and the South China Sea.[75]
6.	2024	Joint statement between China and Pakistan, reaffirmed Pakistan's firm support for China on Xinjiang, Taiwan, Hong Kong, and South China Sea issues in UN/multilateral platforms; tied this to upgrading CPEC as an exemplary high-quality BRI project aligned with Pakistan's 5Es framework for shared prosperity.[76]
7.	2024	Pakistan pledged unyielding support for China's core interests (Xinjiang, Xizang, Hong Kong, South China Sea, opposing Taiwan independence) and coordination in UN (including during Pakistan's 2025-2026 UNSC term); directly linked to deepening CPEC as a demonstration BRI project with growth, innovation, and green corridors.[77]
8.	2025	Pakistan expressed firm support for China on Xinjiang, Xizang, Hong Kong, South China Sea, and the one-China principle (UNGA Res 2758); committed to deepening UN/multilateral coordination for developing countries' interests, while promoting CPEC upgrades under BRI's eight major steps, aligning with Pakistan's 5Es for industrialization and exports.[78]
9.	2025	Fifth Pakistan-China Consultations on Multilateral Issues focused on aligning positions in UN and other forums to safeguard core interests; underscored the strategic partnership's role in economic stability via CPEC, with commitments to enhanced coordination amid ongoing BRI investments.[79]

Source: Author's analysis

China's economic investments in Pakistan, as seen in Table 6.3, foster Pakistan's alignment to shield Beijing from scrutiny in international bodies, while pretending to bolster Pakistan's stability, through false and never to be completed promises. Joint statements from Pakistan's Ministry of Foreign Affairs, as well as from China's Ministry of Foreign Affairs, reaffirm Pakistan's "firm", or "unyielding" support for China on Xinjiang, Tibet (which China and Pakistan label as 'Xizang'), Hong Kong, Taiwan, and the South China Sea in the UN and multilateral settings. The pledges are explicitly tied to promises of CPEC upgrades, as seen in the "high quality" Phase II, focusing on industrialization, agriculture, green corridors and so on, and these were enhanced during Pakistan's UNSC term as well.

Conclusion

Through the BRI, China has extended, or promised to extend, billions of dollars in loans to developing countries, many of which lack the capacity to repay them. The CPEC, an integral component of the BRI, is no exception. Beijing's strategic calculation appears to be the conversion of potential economic losses into geopolitical gains. As China continues to extend or pledge large loans for commercially questionable infrastructure projects in debt-strapped countries such as Pakistan, a discernible pattern emerges. In this context, the GDI carries the potential to replicate what has already been witnessed under CPEC. A committee set up by former Pakistani PM Imran Khan to examine the causes for the high cost of electricity to Pakistani consumers, further exposed the corruption involving Chinese private power producers operating in Pakistan.[80]

The CPEC has already delivered a decade of unfulfilled promises, persistent delays, mounting debt burdens and escalating security risks. Projects such as the stalled Main Line-1 railway to chronic payment arrears in security projects like Port Qasim and Hub, the underwhelming progress in the flagship SEZs illustrate these challenges. The Rashakai SEZ continues to face utility bottlenecks and governance constraints; the Allama Iqbal Industrial City has been criticized for environmental degradation and community displacement; Dhabeji SEZ remains slow in construction; and Bostan SEZ faces persistent security threats. As a result, Pakistan has reaped minimal gains in terms of industrialization, job creation, export growth or poverty alleviation. These failures only mirror the broader structural shortcomings reflected in Pakistan's poor performance in global indices: 109th in the 2024 Global Hunger Index, 68th in the Huawei Global Digitalization Index, and 99th in the Global Innovation Index—all areas that the GDI ostensibly seeks to address.

Despite these realities, Pakistan's unwavering support for China's multilateral proposals such as the GDI, reflects a deepening asymmetric dependency. Yet, as is the case with CPEC, the GDI risks repeating the pattern of grandiose rhetoric masking leverage exercised through loans, promises of infrastructure, and economic entanglement that convert financial exposure into geopolitical influence. The GDI, building on the foundations of the BRI, carries both the potential and the intent to further entrench this dynamic, offering multilateral legitimacy for what is essentially a deepening bilateral dependence of Pakistan on China.

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7

From Corridors to Code: China's Digital Statecraft through CPEC

Tristan Eng

Introduction

What if the core of the China-Pakistan Economic Corridor (CPEC) lies not in the grand highways or ports that dominate the headlines, but in power plants and digital technology? These elements, while less visible than CPEC's megaprojects, reveal how the corridor encompasses far more than just improving connectivity. Indeed, the Long Term Plan for China-Pakistan Economic Corridor (2017-2030)[1] reflects this broader vision, setting out goals to build cross-border fiber-optic cables; promote the adoption of Chinese technical standards such as its Digital Terrestrial Multimedia Broadcast (DTMB); expand e-government, border monitoring, and Safe City systems; and strengthen Pakistan's ICT workforce through training and exchange programs.

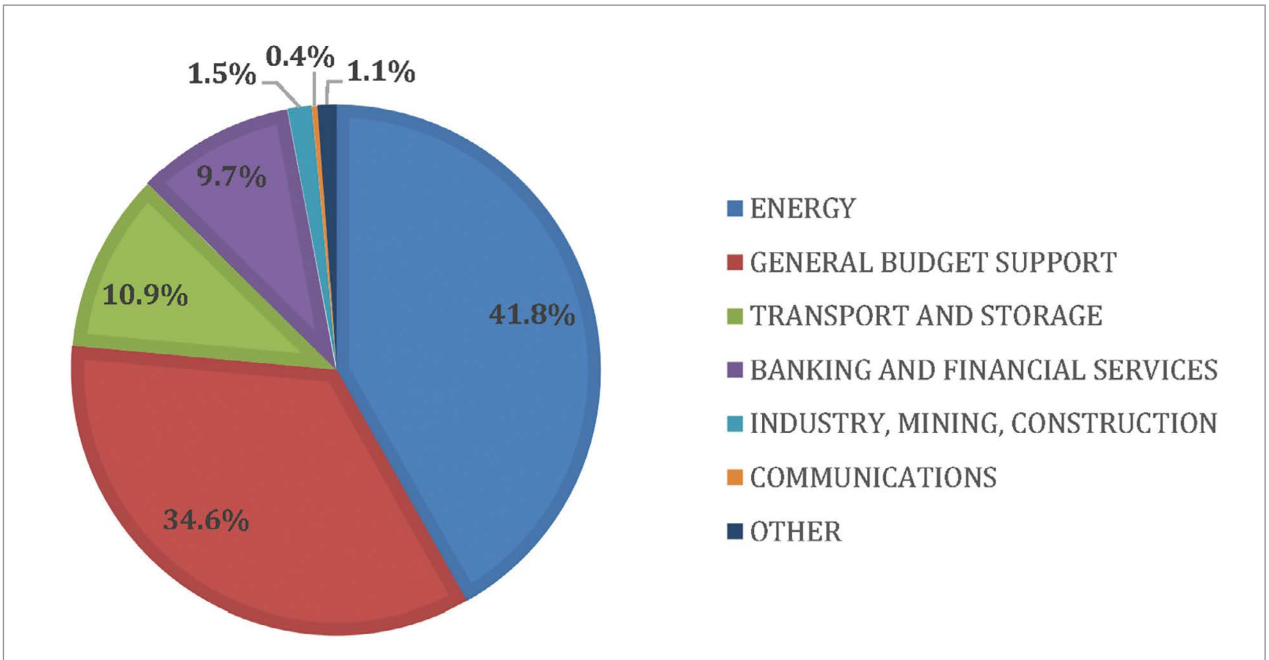
These initiatives carry political implications that extend beyond technical modernization. Digital infrastructure and technological standards shape the way states and communities grapple with the digital world, which in turn impacts security and governance systems.[2] In the context of CPEC, this raises questions about how Chinese-built communications networks, surveillance platforms, and satellite systems may influence Pakistan's security practices and long-term geopolitical strategy in the future.

The Geostrategic Context of CPEC

In CPEC's early stages, Chinese and international scholars emphasized its geostrategic importance. The corridor was seen as addressing three primary strategic concerns for China. First, it would address the so-called "Malacca Dilemma", referring to China's vulnerability arising from its heavy dependence on energy imports transiting the Strait of Malacca. Oil and gas could bypass the long sea route via the Strait of Malacca and instead be transported overland from Gwadar, which is located just 400 km from the Strait of Hormuz.[3] Second, access to the Indian Ocean would break what some in the Chinese literature have called America's "C-shaped encirclement" (C形包围圈) of China,[4] which is understood as a chain of U.S.-aligned powers and strategic positions stretching from East Asia through Southeast Asia to South Asia, effectively surrounding China along its maritime periphery. Third, it would provide for the security and economic development of China's western regions and its strategic position in Central Asia more generally.[5] Thus, if one were to take CPEC's primary purpose as a transport corridor at face value, this would be seen as a portent of Beijing's broader geopolitical ambitions.[6]

This has made the actual pattern of Chinese investment in CPEC all the more puzzling. While connectivity projects such as railways and ports are, of course, an important part of CPEC, Chinese investment in Pakistan has been far more heavily weighted toward domestic energy generation and development.[7] Between 2013 and 2023, energy and budgetary support accounted for about 42 percent and 35 percent of total investment, respectively, compared to just 11 percent for transport (Figure 7.1). This distribution is reflected structurally in the "1+4" framework for CPEC launched in 2015, where energy and industrial cooperation are central alongside the Gwadar Port and transport infrastructure.[8]

Figure 7.1: Composition of Chinese Investment in Pakistan by Sector (2013–2023)



Source: Aiddata.org, "China's Global Loans and Grants Dataset, Version 1.0."[9]

Some Chinese scholars have suggested that this reflects the "de-geopoliticization" (去地缘化) of CPEC.[10] This is evident, they argue, not only in the nature of Chinese investment but also in planning documents and official statements, which have downplayed connectivity and its geopolitical implications while emphasizing comprehensive development in the energy sector and, increasingly, in technology cooperation.[11] In this framing, CPEC is recast as primarily a developmental initiative, consistent with the "all-weather strategic partnership" (全天候合作伙伴) between the two countries.

However, CPEC's continued designation as a "flagship project" (旗舰项目) under the Belt and Road Initiative (BRI) belies the claim that it is far removed from China's geopolitical strategy.[12] As a "flagship project," CPEC's success would validate the BRI model, while failure would carry disproportionate reputational and strategic costs. In effect, CPEC operates as a "too big to fail" project at the core of China's external economic and geopolitical ambitions.[13] Thus, rather than evidence of de-geopoliticization, China's emphasis on development in the energy and technology sectors can be explained by its more subtle approach to advancing its strategic interests in the digital age.

Planes, Trains and Satellites: CPEC as an Energy and Technology Initiative Rather Than a Transport Corridor

To understand CPEC's digital dimension, it needs to be placed within the corridor's broader phased structure. At its inception, CPEC projects were divided into short-, medium-, and long-term plans, with completion targets of 2020, 2025, and 2030, respectively.[14] As a result, digital initiatives only became more prominent after the "early-harvest" (早期收获) phase, defined by some Chinese scholars as spanning between 2014 and 2018.[15] This early phase was dominated by energy and transport infrastructure,[16] including the inauguration of two major coal power plants at Sahiwal and Port Qasim.[17] It is only as long-term planning moved to the fore that digital projects grew in prominence. This roughly coincides with a general increase in the number of Chinese investments in communication projects across all BRI countries, with a slight dip during the COVID pandemic (See Figure 7.2).

Figure 7.2: Growth of Chinese Global Communications-Related Financing Over Time

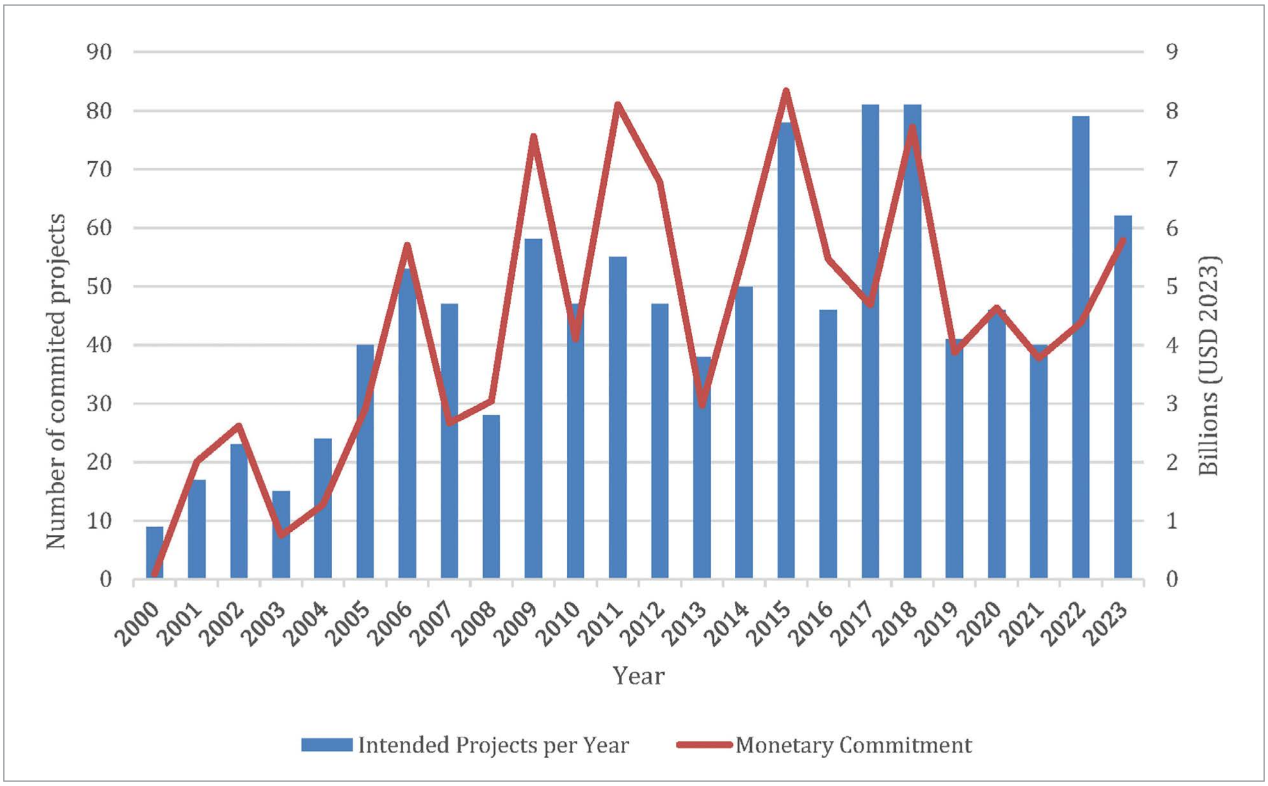


Figure 2:

Source: Aiddata.org, "China's Global Loans and Grants Dataset, Version 1.0."[18]

CPEC's digital infrastructure initiatives can also be understood as part of a broader effort to manage the economic and security vulnerabilities that have become increasingly visible around the corridor. On the economic side, they were tied to improved communications, coordination, and governance across transportation and energy projects, while also supporting projects such as Gwadar port whose commercial promise remains uncertain. On the security side, especially in Balochistan, digital projects such as telecommunications networks and surveillance-related systems are presented as ways to protect personnel and infrastructure in the face of escalating terror attacks.

In recent years, CPEC projects have been targeted by Balochistan nationalist insurgent organizations, who have carried out terrorist attacks against Chinese nationals both within Balochistan and in other parts of Pakistan.[19] These groups see China as being complicit in what they consider to be Islamabad's exploitation of Balochistan's natural resources at the expense of local populations.[20] Boni argues that one of the aims of Chinese investment in fiber-optic, telecoms, and surveillance systems is to secure communications to protect Chinese personnel and infrastructure as part of China's two-pronged response to these terror threats alongside partnering with Pakistan's military and private security actors.[21]

These digital projects, however, are not merely defensive. As McCartney notes, Chinese infrastructure investment has the long-term potential to lock Pakistan into Chinese-compatible inputs, technologies, and standards, including in fiber optics, telecommunications, and navigation systems.[22] This may deepen long-term dependence on Chinese suppliers while hindering the positive spillover effects on domestic industries.

CPEC's Technological Architecture: Surveillance, Data Integration, and Entrenched Security

CPEC's digital dimension spans fiber-optic networks, urban surveillance systems, satellite navigation, broadcasting standards, and space cooperation. Examining these technologies together shows how CPEC has institutionalized arrangements that reinforce Pakistan's integration into the Chinese digital ecosystem.

Fiber Optic Cable

Launched in 2018, the Pak-China Fiber Optic Cable Construction Project is an approximately 820 km overland cable running from the Khunjerab Pass on the China–Pakistan border to Rawalpindi in Punjab.[23] The link connects Pakistan's telecommunications network to China's terrestrial fiber system, allowing inbound and outbound internet traffic to be routed through Chinese infrastructure.

Although introducing its own vulnerabilities, the Pak–China fiber-optic cable is often justified in security terms as a way to reduce reliance on Pakistan's existing communications routes.[24] By linking Pakistan's network directly to the Chinese side of the Transit Europe-Asia Terrestrial Cable Network,[25] the cable provides an alternative path for data and telecommunications traffic that does not depend solely on vulnerable undersea cables or domestic infrastructure concentrated in coastal areas. This redundancy can reduce the risk of interception and disruption by external actors and is framed as strengthening the resilience of communications infrastructure tied to CPEC projects and Chinese personnel operating in Pakistan.[26]

At the same time, concerns have been raised that the adoption of Chinese infrastructure and standards could also facilitate greater monitoring or filtering by the Pakistani government aligned with Chinese digital governance models. Prior to CPEC, the Pakistan Telecommunication Authority (PTA) had already considered introducing a Chinese-style internet firewall that would expand the state's ability to regulate online content.[27]

The Pak–China fiber-optic cable also carries clear security implications for CPEC, linking the corridor's communications infrastructure to military-linked institutions. This security dimension is reflected in the actors responsible for building and operating the system. Huawei was the contractor responsible for designing and constructing the cable, while China Telecom and Pakistan's Special Communications Organization (SCO) jointly operate it.[28] The SCO, though formally under the Ministry of Information Technology, is in practice controlled by the Pakistan Army.[29] Prior to construction, the SCO's director, a major general in the army, explicitly linked the cable to CPEC security, calling protection of CPEC projects an "utmost priority for Pakistan."[30]

However, economic realities may complicate the long-term viability of the project. There are indications that the concessional loan from the Export-Import Bank of China used to finance the cable has underperformed.[31] Beijing has already agreed to postpone repayments multiple times.[32] These adjustments highlight a broader tension between China's strategic and security goals and economic returns that may be more limited than initially anticipated.

Safe Cities

China's "Safe City" concept refers to an urban security model that integrates large-scale surveillance systems with digital policing tools to monitor and manage public spaces.[33] Promoted largely by Chinese technology firms such as Huawei, these projects are often marketed as part of broader "smart city" initiatives that combine public infrastructure with data analytics and communication networks.[34]

The Safe City concept in Pakistan was first implemented in Islamabad as part of a broader effort to improve urban security through surveillance and digital policing.[35] The Islamabad Safe City Project introduced a large network of high-resolution cameras, command and control centers, and integrated monitoring systems to assist law enforcement agencies in crime prevention. Building on this model, Prime Minister Shehbaz Sharif approved the Gwadar Safe City Project Phase I in July 2025 to enhance security in the port city.[36] The project was estimated to cost tens of millions of dollars and planned to install hundreds of high-tech surveillance cameras across the city. However, despite the approval, there have been mixed reports on its implementation status.

Chinese firms have promoted Safe City systems primarily as tools for urban security and crime prevention, but where these technologies are deployed in areas linked to CPEC, enhanced surveillance is also used to monitor infrastructure projects and protect Chinese personnel and investments. Their expansion in Pakistan also reflects Islamabad's efforts to respond to Beijing's repeated calls for stronger protection of Chinese citizens and strategic projects associated with the corridor.[37]

Remote Sensing Satellites

China–Pakistan space cooperation predates CPEC and reflects a long-standing technological partnership. Although Pakistan established the Space and Upper Atmosphere Research Commission (SUPARCO) in 1961 and launched its first rocket, *Rehbar-I*, in 1962 with NASA support, escalating India–Pakistan tensions redirected funding toward nuclear development and stalled the country's space program.[38]

Pakistan eventually launched its first satellite, *Badr-I*, in 1990 with Chinese assistance, marking the beginning of deeper bilateral collaboration.[39] In the 21st century, this partnership expanded through joint satellite launches from Chinese soil such as the *PAKSAT-1R* in 2011;[40] the *PRSS-1* in 2018;[41] and most recently the PRSS-2 in 2025.[42] These initiatives now form part of what analysts have dubbed China's "Space Silk Road,"[43] which they say is China's initiative to integrate satellite navigation, communications, and remote sensing across Belt and Road Initiative (BRI) partners.

Pakistani officials have directly linked this cooperation to CPEC. Remote-sensing satellites such as PRSS-1 have been understood to monitor corridor infrastructure, land use, and environmental conditions, giving Pakistan greater capacity to track large-scale projects and support other initiatives along the corridor.[44] At the same time, the long-term implications for Pakistan are more ambiguous. Because Pakistan's recent Earth-observation satellites have been built and launched by China, some analysts argue the partnership reinforces Pakistan's dependence on Chinese technology and undermines the development of Pakistan's autonomous national space program.[45]

BeiDou Navigation Satellite System

Another flagship technology underpinning the Space Silk Road is the BeiDou Navigation Satellite System (BeiDou). Beidou is a state-controlled satellite system providing positioning, navigation, and timing (PNT) services that is positioned by China as an alternative to the U.S. Global Positioning System (GPS).[46] Pakistan was the first nation outside China to adopt the BeiDou system, granting Islamabad access to sophisticated navigation and positioning capabilities.[47]

BeiDou has also increasingly been integrated into CPEC, where the technology has been touted as improving logistics and enhancing port operations at Gwadar and Karachi.[48] Pakistani officials have argued that Beidou effectively turns CPEC from a purely physical infrastructure corridor into "a digital corridor powered by space technology."[49]

The experience of Pakistan with Beidou illustrates how a single technology can enhance the security and development of BRI infrastructure projects, while also advancing China's strategic goals under the Space Silk Road. Indeed, reports indicate that expanding BeiDou's adoption across other BRI countries has become a central goal for China as part of its efforts to create a BRI Space Information Corridor.[50]

Control by Other Means or Developmental Partnership?

As Cannon notes,[51] China's infrastructure partnerships do not automatically subordinate participating states, nor are the projects necessarily coercive. Some governments welcome these projects as a way to advance their development goals and reinforce existing partnerships, even when they involve indirect forms of influence that amount to a form of "control by other means".

Pakistan's foreign policy strategy has historically sought to balance between major powers rather than align exclusively with one, though this strategy remains constrained and not always consistently achieved. However, its role in mediating between the United States and Iran is evidence par excellence of a recent success of this strategy.[52] It is a significant achievement that Pakistan has hosted mediation talks between Washington and Tehran while also coordinating with Beijing to release a five-point initiative to resolve the war.[53]

However, the growing depth of Pakistan's reliance on China risks narrowing Islamabad's strategic hedging. The digital domain is especially sensitive because technological ecosystems tend to be mutually incompatible. Digital systems often require compatibility between hardware, software, and technical standards, meaning that adopting one country's technology can complicate integration with others.[54]

As great-power competition increasingly centers on telecommunications networks, satellite systems, and digital standards, Pakistan's expanding reliance on Chinese platforms may constrain its ability to balance between rival powers and could ultimately undermine the strategic flexibility that has historically characterized its foreign policy.

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8

The Social Dimensions of CPEC in Pakistan: Local Realities and Emerging Challenges

Ajay Darshan Behera

Introduction

The China-Pakistan Economic Corridor (CPEC) is often described through numbers such as investment amounts, megawatts (MW) of electricity produced, kilometers of roads built, and similar indicators. Data such as these are emphasized within official communications and policy debates. Yet they capture only part of what is unfolding. Beneath these visible gains lies a deeper transformation of social life in Pakistan. CPEC is transforming how people work, where they live, how resources are distributed, and how new forms of interaction are emerging between the Pakistani government and its citizens. These changes are uneven.

As a flagship project of the Belt and Road Initiative (BRI), CPEC was initiated by both countries in 2015. At the time of its launch, CPEC was designed to combine energy generation, transportation infrastructure, the development of Gwadar Port, and Special Economic Zones (SEZs). The amount of money allocated toward CPEC initially totaled approximately USD 46 billion and currently is greater than USD 60 billion in planned and committed investments. For Pakistan, CPEC presented an opportunity to address several long-term issues, including persistent energy shortages, underdeveloped transportation networks, and a lack of investment in industry. For China, CPEC represents a shorter and strategically significant corridor connecting Xinjiang to the Arabian Sea and providing an alternative route that reduces dependence on sea lanes that traverse geopolitical choke points.

Within the official discourse surrounding CPEC, it is framed as transformative.[1] It is possible to view CPEC from this perspective. While energy availability has improved, leading to reductions in load shedding within select urban centers, transportation links have been extended, resulting in reduced travel times and improvements in connectivity among large cities.[2] However, a decade into its implementation, the social picture is much more complex. Gains resulting from CPEC are visible, but they are not equally shared among all regions and populations or social groups. While certain locations and groups have benefited disproportionately from CPEC-related developments, other regions, communities, and population segments face challenges associated with forced displacement, environmental degradation, and unequal access to new opportunities.

This chapter examines CPEC not just as an economic project but as a social process embedded in Pakistan's political economy. The outcomes of CPEC depend upon who receives benefits and/or faces costs from developing CPEC-related infrastructure, how decision-making authority regarding CPEC is exercised, and how the daily life experiences of local communities evolve as a result of the project. The analysis is organized around five interrelated themes: uneven regional development and disparities, questions of debt and transparency, the gendered dimensions of CPEC, the environmental effects of development, and the intersectionality between CPEC and the militarization/securitization of everyday life. Together, these themes demonstrate that CPEC is not just producing infrastructure and growth, but also reshaping social relationships, state-society interactions, and patterns of inclusion and exclusion. This chapter draws attention to these less observable consequences by examining how development unfolds on the ground and how it is experienced by different sections of society.

Federalism, Uneven Development, and the Politics of Distribution

CPEC has revived an old question in Pakistan's political economy: who will benefit from the development, and who will decide? The corridor was promoted as a national project that would create common prosperity. However, both the distribution of CPEC's benefits and the institutional arrangements governing CPEC, are uneven. The result is a pattern in which economic benefits, political authority, and social costs of CPEC are distributed along pre-existing lines of hierarchy, rather than reflecting a departure from the status quo.[3]

At the heart of the debate is the relationship between federalism and development. Studies show that the governance structure of CPEC has been highly centralized. There has been very little consultation with provincial governments during the design and implementation phases of CPEC, and on decisions such as route alignments and project priorities. The unequal distribution of CPEC's benefits is directly linked to the way the project is managed. This has caused a great deal of contention in Balochistan and Sindh.[4] Political elites in these two provinces claim that the process has marginalized their interests and strengthened federal hegemony instead of fostering cooperative federalism.[5]

The centralization of governance arrangements is related to the spatial distribution of benefits. Most investments have taken place in relatively developed regions such as Punjab and parts of Sindh.[6] Peripheral regions such as Balochistan and large portions of Khyber Pakhtunkhwa have experienced relatively low levels of integration into the main flow of CPEC benefits. At the same time, they face a number of social and environmental challenges. This spatial dimension reflects a general tendency in Pakistan's historical development experiences, where growth tends to take off in centers of established economic activity rather than redistributing opportunities across regions.

These trends manifest themselves at the local level as well. While CPEC creates employment, increases land prices, and raises the competitiveness of actors who are better connected to the corridor, for many communities it does not create sustainable long-term economic change.[7] Instead, CPEC often results in unstable or temporary income opportunities. Some refer to the

CPEC as a form of enclave development,[8] where modern infrastructure is developed alongside communities that are disconnected from its potential benefits.[9] Zones designated for industry and transportation corridors function like islands of development. They tend to remain separate from surrounding communities. Benefits go primarily to individuals who possess capital, skills, and networks, while local populations have difficulty in accessing these opportunities.

Balochistan provides the clearest example of these dynamics. The province has historically experienced political marginalization and conflict due to dissatisfaction with resource extraction and lack of local control.[10] Thus, CPEC is perceived by many in Balochistan as a continuation of a long-established pattern of exploitation: externally funded investors extract wealth while locals receive minimal returns on their resources.[11] This perception has been reinforced by developments in Gwadar, the flagship site of the corridor.

Gwadar was expected to develop through port-based growth and improved connectivity. However, for many local residents, especially fishermen and fish traders, CPEC has resulted in greater disruption than positive transformation.[12] Infrastructure construction under CPEC has displaced people, restricted access to the sea, and increased living expenses.[13] Reports have documented forced evictions and the loss of livelihoods due to the decline of traditional fishing and coastal trading practices.[14] The influx of outside labor and investments into Gwadar has also transformed the social composition of the city, creating new forms of inequality and social tension among residents.

Local communities often feel that they have little influence over decision-making related to CPEC. Information tends to flow unidirectionally, and consultations are often seen as symbolic rather than substantive. As a result, the developmental process is experienced by local residents not as a collaborative effort but as something imposed upon them from above. A top-down approach toward development has obvious political implications. When communities experience displacement, job loss or environmental degradation due to CPEC without meaningful consultation with them, they are more likely to perceive the initiative as unfair. Such negative perceptions contribute to mistrust and unrest particularly when prior grievances exist in the affected area.[15] Protests in Gwadar during 2021 and 2022 concerning issues like fishing rights, water scarcity and restrictions on movement demonstrate how localized opposition can expand into larger-scale political mobilization.[16]

The relationship between federalism and regional underdevelopment is revealed through this larger dynamic. While CPEC has created an environment in which issues associated with underdevelopment have been highlighted, it did not create the underlying problems of resource distribution, regional authority, and center-province power dynamics. Therefore, the main concern surrounding CPEC is not whether economic growth will occur because of the project. Rather, the primary concern involves how CPEC-generated economic growth will be distributed and managed.

Current patterns suggest that individuals who have certain advantages (such as capital, connections and/or political influence) are best positioned to benefit from growth. Conversely, individuals lacking such advantages are more likely to perceive economic growth due to CPEC not as an opportunity but as a threat to their existing standard of living.

Debt, Dependency and the Issue of Transparency

One of the most persistent domestic criticisms of CPEC concerns debt and the increasing economic dependence on China. Pakistan's external debt more than doubled between 2013 and 2021, and liabilities to Chinese creditors represent a considerable portion of this increase. These developments have raised concerns about Pakistan's fiscal viability and long-term policy autonomy. Advocates of the "debt-trap" narrative cite opaque loan terms, sovereign guarantees, and the high cost of service payments in the power sector. They contend that these factors could put Pakistan under considerable financial stress for many years and diminish its capability to negotiate individually with organizations such as the IMF.[17]

A more conservative interpretation, however, complicates this argument. Studies have noted that CPEC-related borrowing is only a small part of Pakistan's total foreign debt. Structural weaknesses in Pakistan's own economy—including low tax revenues, persistent fiscal deficits, and underperforming exports—have also contributed significantly to current debt levels.[18] Therefore, the main issue is not merely the magnitude of borrowing, but rather the economic returns generated by that borrowing. The central question is whether CPEC investments have expanded Pakistan's export capacity, enhanced productivity, and strengthened its manufacturing base. Without such improvements, even lending based on concessionary pricing may ultimately become unsustainable. According to a World Bank report, Pakistan must transform its economy, invest heavily in human capital (education/health), increase female labor force participation to 45 percent, ensure environmental sustainability, and strengthen governance in order to boost productivity.[19]

Lack of transparency compounds the problem. Most CPEC agreements remain confidential or have been only partially disclosed to the public.[20] The lack of clarity surrounding the actual financing terms (interest rates, repayment timelines, and tax concessions to Chinese corporations) has fueled speculation about the nature of these terms. Due to the lack of full disclosure, public discourse has relied on fragmented information, thereby exacerbating distrust. In this context, transparency is not merely a procedural issue; it shapes how the entire initiative is perceived within Pakistan and affects its political legitimacy.

Additionally, the extent of Chinese funding has led to widespread concern among Pakistanis about their economic position. Financing provided through both long-term infrastructure projects and short-term balance-of-payments assistance have expanded Beijing's role in Pakistan's financial system. Critics see this as evidence of increased dependence. However, an estimated 80 percent of CPEC financing is provided in the form of equity grants or subsidized loans, while only a smaller portion adds to Pakistan's sovereign debt.[21] Thus, although CPEC represents a source of some of Pakistan's debt distress, it is representative of the broader structural problems in Pakistan's economy that predate the corridor. Nevertheless, the scale and visibility of Chinese involvement, combined with limited transparency, have made CPEC a focal point for wider concerns about Pakistan's economic vulnerability.

Financial risks associated with CPEC are most apparent in the energy sector. Most CPEC power projects are funded through Chinese banks and project company-based arrangements. Although these structures are intended to limit direct sovereign liability, Pakistan remains exposed to significant risks through sovereign guarantees and long-term payment commitments. These guarantees assure investors of returns on their investment; however, they also transfer financial burdens to the government when inefficiencies in Pakistan's power sector remain unaddressed.[22]

This is where the political economy of CPEC becomes most evident. The benefits of these projects—electricity generation and improved infrastructure—are immediate and visible. The financial costs, by contrast, are spread over several years and ultimately borne by the public budget. Distribution losses, tariff distortion and governance gaps continue to plague Pakistan's power sector. When additional generating capacity is created without resolving the aforementioned structural flaws, the government bears the cost of electricity production without ensuring its efficient utilization. As a result, circular debt increases, placing further pressure on public finances.[23]

Therefore, debates on debt, dependency, and transparency go well beyond CPEC itself. Rather, they reflect more fundamental questions regarding Pakistan's economic governance and development strategy.

Gendered Aspects of CPEC

Gender remains one of the least visible yet most important dimensions of CPEC's social impact. While much discussion of CPEC focuses on infrastructure, trade, and macroeconomic outcomes, its effects on everyday life are mediated through existing gender relationships and social structures. In general, women are optimistic about several aspects of CPEC. For example, they hope that improved road networks and enhanced access to markets and educational services will improve their overall well-being. At the same time, these hopes are tempered by apprehensions regarding environmental degradation, personal security, and whether the economic opportunities generated by CPEC will be accessible to them within prevailing social constraints.[24]

These tensions are most pronounced in rural areas, where gender roles tend to be more rigidly defined. Women perceive CPEC as a real-world transformational process—not simply a conceptualized economy. They view CPEC as impacting their day-to-day routines, mobility, and social interactions. Improved connectivity may reduce social isolation and provide more opportunities for women to participate in markets and service-sector opportunities. Nevertheless, the extent to which women benefit from CPEC depends upon their ability to travel safely, manage income and interact with institutions (i.e., schools and businesses) that are generally dominated by males. Unless these underlying constraints are addressed, the benefits of CPEC-related connectivity are likely to be inequitable.[25]

CPEC-linked labor markets also reflect this asymmetry. Official narratives emphasize job creation and economic opportunities; however, women are largely relegated to lower-wage, informal, or peripheral positions. Employment opportunities associated with construction, transportation, and manufacturing—the sectors that represent the core of CPEC-related economic activity—continue to be almost exclusively male. Even where opportunities exist for women, their engagement is constrained by limited access to training programs, restricted mobility, and concerns regarding workplace safety and security.[26]

Women's restricted access to employment opportunities is tied to broader decision-making structures. In many areas impacted by CPEC, major decisions related to land acquisition, compensation, and local development are negotiated through male-dominated institutions. Women are generally excluded from these decision-making processes despite having significant interest in the outcomes. Therefore, they lack the power to determine how resources are allocated and how risks are managed at both the household and community levels.

A less visible but no less critical aspect of the gendered dimension of CPEC relates to reports of human trafficking and exploitative marriages involving young Pakistani women and Chinese men. This issue has not received much media attention.[27] Another often-overlooked aspect is the burden of unpaid labor. In addition to creating jobs and increasing revenue streams, large-scale development projects like CPEC often place an additional burden of responsibility on women, who continue to provide caregiving and household services. When families migrate, when homes are displaced or when individual livelihoods undergo change due to CPEC-related economic changes, women are typically expected to absorb and manage the social implications of these changes. These responsibilities include caring for family members, maintaining household stability, and addressing the social costs of disruptions. Without supportive policies, these responsibilities will undoubtedly increase regardless of whether formal employment opportunities become available to women.[28]

Environmental and social risks linked to CPEC also have gender-specific consequences. Rural and low-income households headed by females experience more immediate environmental impacts as a result of reduced access to clean water, poor air quality, and diminished access to shared resources. The environmental challenges associated with CPEC lead to increased hours spent collecting water or fuel, greater health risks and decreased time devoted to education or generating income. Consequently, environmental pressure tends to exacerbate pre-existing gender inequalities rather than uniformly impacting all social groups.[29]

At the same time, there are indicators that CPEC can create space for positive change. Improved infrastructure, increased connectivity, and exposure to new forms of economic activity can contribute to gradual shifts in social expectations and gender norms. Younger women specifically identify CPEC as a mechanism for increased involvement in education and the economy. Again, however, such changes remain uneven and depend heavily on local context, institutional support, and the existence of enabling policies.

Ultimately, the key point is that gender outcomes are not predetermined. Without intentional action by government entities or other stakeholders, large-scale development initiatives tend to perpetuate existing social hierarchies. As such, men are more likely to capture the direct economic benefits generated by CPEC, while women remain engaged in informal labor or unpaid roles. Addressing this disparity requires specific, targeted policies such as skills training for women, affordable transportation, child care support, and greater female participation in local decision-making processes.

Thus, the gendered dimension of CPEC presents an overarching problem in development policy. Development projects can generate economic opportunities; however, they cannot independently transform embedded social relations. Without explicit consideration of gender differences and needs, CPEC may only serve to reinforce the very inequalities it has the capacity to mitigate. The question is not whether CPEC affects women; rather, it is whether the project can be developed in ways that make those effects more equitable and inclusive.

Environment and Regional Inequality

The relationship between the environment and social inequality within the context of CPEC is complex. The negative impacts of environmental degradation, including pollution, land-use change, and resource depletion, are not just environmental concerns; they directly affect peoples' lives, livelihoods and well-being.[30] Furthermore, these concerns exacerbate health disparities and create inequality within regions. For example, coal-fired power plants create environmental degradation such as air and soil pollution and community health concerns for those living nearby. Workers employed by the power plants face a direct trade-off: although the employment provides income, the exposure to pollutants creates health-related challenges.

This is particularly evident in Pakistan's Thar region. There, coal mining and related infrastructure development have generated significant conflict over land acquisitions, forced relocations and concerns over air and water quality. Although researchers differ in their estimates of the scale of potential harm, studies modeling the effects of large-scale coal production generally agree that increased pollution exposure is likely to result in heightened public-health risks.[31]

In Gwadar, the relationship between environmental change and social welfare is equally apparent. Water scarcity and declining fish stock have directly impacted the daily lives of people in the area. While desalination plants could alleviate some of the water shortages, they do not provide an answer to the many problems experienced by fishing communities due to port expansion and restricted access to coastal systems.[32]

These environmental factors exacerbate pre-existing regional inequalities caused by the unequal distribution of CPEC projects. According to government documents, energy and infrastructure projects are mainly located in Punjab and Sindh provinces and fewer projects were initiated and/or completed in Balochistan and Khyber Pakhtunkhwa.[33] The consequences of this unequal distribution can be observed throughout each province. Although Gwadar in Balochistan has received significant amounts of funding for infrastructure development, local residents state that there have been numerous disruptions to their fishing activities, land disputes, unemployment and underemployment among Gwadar's population, and inadequate job creation and skills training.

In contrast, Sindh has had numerous energy projects since the beginning phases of CPEC. The province has experienced rapid economic growth through industrialization and logistical development. However, these gains have been accompanied by forced relocations (resettlements), environmental degradation (coal producing areas), and uneven accessibility to benefits, especially in regards to health. The full extent of these environmental impacts remains difficult to assess because systematic data regarding pollution across all project sites still not fully available.

Similar to Sindh, Punjab has received substantially greater investment in infrastructure development than Khyber Pakhtunkhwa or Gilgit-Baltistan. Despite receiving more financial support, Punjab still faces challenges similar to Sindh in terms of job creation and access to project related benefits. Large-scale urban projects have also led to displaced populations and localized environmental concerns.

CPEC has provided improved connectivity and digital infrastructure in Gilgit-Baltistan. However, these improvements have introduced new environmental vulnerabilities and climate related risks. Increased tourism, migration and land use changes have transformed the local economy. Additionally, increased militarization of border areas has impacted mobility and accessibility for locals. Much of the available literature is based on small-scale case studies, making it difficult to build a comprehensive region-wide picture of CPEC's social and environmental effects in Gilgit-Baltistan.[34]

Environmental stress is not evenly distributed. It tends to affect most severely those communities with the fewest resources to adapt. Farmers dealing with soil degradation or water shortages, and low-income households living near highways or industrial zones, experience these changes as immediate threats. The risks include respiratory illness, unsafe water, and the loss of productive land. Even where economic benefits are acknowledged, concerns about long-term sustainability remain strong.[35]

Research is increasingly showing gaps in environmental governance frameworks surrounding CPEC. Environmental impact assessments are often treated as procedural requirements; however, their quality, follow-up and enforcement remain uneven. Affected communities also have limited access to information and few meaningful opportunities to participate in decision-making. Policy frameworks linking infrastructure development with climate and environmental safeguards remain fragmented, even though Pakistan has adopted national climate policies and international climate commitments. As a result, accountability mechanisms remain weak, and mitigation efforts vary considerably across projects and regions.[36]

Collectively these trends indicate that CPEC's socio-economic impacts cannot be dissociated from either its ecological footprint or its uneven spatial distribution. Infrastructure-driven development has produced obvious increases in economic activity; however it has also revealed underlying inequalities in governance systems as well as environmental risks faced by local communities. The challenge is not only to manage environmental risk but also to ensure that development benefits are more evenly distributed and that local communities are not left to bear disproportionate costs.

Security of CPEC and Securitizing Everyday Life

CPEC has significantly reshaped Pakistan's security environment. The corridor is treated as a high-value strategic asset. As a result, the state has expanded its security apparatus, including the creation of dedicated forces to protect infrastructure and foreign personnel. This growing security presence is not limited to strategic sites. Increasingly, this expanding security apparatus is becoming an integral component of everyday life, especially in locations directly affected by CPEC projects.

For local communities, securitization is experienced in routine and visible practices. Checkpoints, surveillance, and restrictions on movement have become regular features of citizens' interactions with the state.[37] In certain areas, the restrictions placed upon mobility have caused changes to patterns of resource access. For example, in Gwadar, the installation of fences and controlled zones has denied coastal communities access to the sea, directly affecting fishing communities. These daily intrusions have generated frustration, particularly in areas where CPEC related financial benefits have yet to be realized or have been inequitably shared.[38]

These tensions are not new. Rather, they are closely tied to longer-standing political and economic grievances, especially in Balochistan. Large-scale development projects often intensify conflict if local populations are excluded from benefits. Protest movements in Gwadar reflect this trend. Local residents have mobilized around immediate and practical issues such as illegal trawling, shortages of water and electricity, lack of employment opportunities, and restrictions created by security arrangements. These protests are not simply reactions to development; they represent attempts to assert local priorities against a development model seen as imposed from above.

Despite these local concerns, the dominant state response has largely been shaped by security thinking. The Pakistani government views CPEC as a target for militant groups, including Baloch separatist organizations and, to a lesser extent, the Pakistani Taliban. In response, it has built a substantial security structure around the corridor. This includes the Special Security Division, which consists of around 15,000 personnel drawn from the army and paramilitary forces. Repeated attacks targeting Chinese nationals and project sites in recent years has reinforced this security-first approach and strengthened the perception that protection of the corridor must take priority.[39]

That said, this type of response has significant implications for governance. One central issue revolves around how official narratives link development and security. When criticisms directed at CPEC projects are framed as threats to national security, they reduce the space available for citizen participation. Citizens experience difficulty articulating legitimate complaints without being perceived as suspicious. This establishes a self-sustaining cycle. Limited opportunity for participation fosters resentment. Resentment increases the probability of unrest. The risk of unrest is subsequently used to justify additional securitization. Increased securitization limits opportunities for participation. Ultimately, this cycle deepens distrust between citizens and the Pakistani state.

Examples of this dynamic can be seen in every day social/economic interactions taking place along CPEC routes. Residents often report that routine activities such as travel, trade, and social interactions require constant negotiations with security authorities. The presence of security personnel becomes a normative component of residents' lives rather than an exception. Although intended to promote order, these measures can generate a sense of control and exclusion. Many analysts believe that development implemented through excessive militarization undermines stability rather than promoting it. Instead of resolving grievances, development through force can reinforce them.[40]

Security concerns also guide state behavior in ways that raise fundamental questions about civil rights and accountability. Some analysts suggest that greater levels of cooperation with China increases incentives for enhanced control over sensitive areas such as Balochistan. Reports have documented allegations of heavy-handed security tactics, including enforced disappearance and the treatment of dissent as a security threat. Such actions may achieve short term control, they can also increase alienation among local populations. Over the long term, this risks institutionalizing a model of development based on coercion rather than democratic participatory mechanisms.

Concurrently, continued attacks against Chinese nationals and CPEC-related infrastructure has produced additional pressure from Beijing. Chinese officials have repeatedly urged the Pakistani government to enhance protections for Chinese nationals and investors.[41] This has only reinforced the existing security-orientation policy in Pakistan. However, there exists a debate within Pakistan whether this orientation can resolve the underlying causes of conflict. The fundamental question remains unanswered. While military action may provide temporary protection, long-term stability will depend on resolving political grievances, providing equitable benefit sharing, and establishing legitimate space for meaningful community participation.

In this sense, the securitization of CPEC is not only about protecting infrastructure. It is about how development is governed and experienced by affected populations. The challenge for Pakistan is not simply to secure the corridor, but to ensure that the process of securing it does not deepen the very tensions it seeks to manage.

Conclusion

What emerges from this study is a consistent pattern. The central question regarding CPEC is no longer merely if it creates growth. Rather, it is how that growth is organized; who makes the decisions regarding the organization and control of that growth; and who receives the benefits from it? As demonstrated in each of the five dimensions discussed above, the evidence points toward a centralized model of development, characterized by unequal distribution and low levels of participation.

CPEC has to be understood not only as a collection of roads, ports, power plants and industrial zones. It is also a social and political process that is reshaping Pakistan's internal balance of power, patterns of development and relations between the state and local communities. CPEC has not broken with Pakistan's older patterns of uneven development. In many ways, it has reproduced them. Punjab and parts of Sindh have gained more from infrastructure and energy projects, while Balochistan, Gwadar, Khyber Pakhtunkhwa and Gilgit-Baltistan continue to raise concerns about exclusion, displacement, environmental stress and limited participation.

The debate surrounding debt and transparency reveals a similar dynamic. CPEC is not the only cause of Pakistan's economic difficulties. Fiscal weakness, low tax base, energy sector losses and poor export performance are long-standing structural problems. Still, the secrecy around CPEC agreements, repayment obligations, sovereign guarantees and power-sector liabilities has weakened public trust. Transparency is not a technical matter alone; it is central to political legitimacy. Without greater disclosure and public accountability, doubts about dependency on China will continue to shape domestic perceptions of the corridor.

The gendered effects of CPEC also show that infrastructure by itself does not create inclusion. Women may benefit indirectly from improved roads, markets and services. But without safe transport, skills training, childcare, workplace protection and participation in local decision-making, they will remain outside the main economic gains of the corridor. In such a situation, CPEC may increase the burden on women rather than expand their choices. A gender-sensitive approach is therefore not an optional add-on; it is necessary if CPEC is to produce wider social benefits.

Environmental concerns raise another serious challenge. Coal-based energy projects, land-use changes, water scarcity, pollution, fisheries depletion and climate pressures are already affecting vulnerable communities. These costs are not spread evenly. They fall most heavily on those with the least capacity to adapt. Farmers, fishing communities, low-income households and people living near industrial or transport sites face the most direct risks. Weak environmental impact assessments and limited involvement of affected communities make this problem worse.

The securitization of CPEC presents a particularly difficult paradox. The corridor does face real security threats. Chinese nationals, infrastructure sites and transport routes have been attacked. Pakistan has responded by expanding security arrangements around CPEC. But when development is governed mainly through checkpoints, surveillance, fencing and restrictions, it can deepen rather than alleviate mistrust. Security may protect infrastructure in the short term, but it cannot produce consent.

Taken together, these dynamics indicate that CPEC is as much about governing as it is about growth. CPEC demonstrates how infrastructure corridors are simultaneously projects of economic development, state-building, and territorial governance. The project's long-term significance lies not only in the infrastructure it builds but also in the institutions, power relations, and development patterns it reinforces. Without reforms aimed at improving participation, transparency, accountability, and the equitable distribution of benefits, CPEC may exacerbate the same inequalities it is intended to reduce. While short term gains may be achieved, long-term stability and sustainability will likely remain uncertain.

Endnotes

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Forging the Arsenal Corridor: China–Pakistan Defense Integration and the New Strategic Supply Chain

Seong Hyeon Choi and Jagannath Panda

The debate is no longer confined to whether China's military support to Pakistan is routine or exceptional: it now centers on whether this partnership is reshaping the very logic of deterrence and connectivity in South Asia and beyond. One view holds that Beijing's defense transfers simply enable Pakistan to maintain minimum credible deterrence against a conventionally superior India.[1] Another contends that the scale, technological depth, and systemic integration of Chinese support have moved far beyond balancing, creating a new form of embedded strategic dependence with wider regional consequences.[2] Recent upgrades have rapidly transformed Pakistan's military profile, with the induction of advanced fighter aircraft, layered air defense systems, next-generation naval platforms, and a growing emphasis on drones and digital warfare.[3]

At first glance, this is not a continuous modernization. Rather, it is a structural recalibration. China is no longer just a supplier; it is shaping Pakistan's defense ecosystem, doctrine, and long-term capability trajectory.[4] At the same time, this evolving military partnership intersects with larger geopolitical currents: India's rising defense preparedness, China's Belt and Road Initiative (BRI), and a widening network of defense collaborations involving actors such as Turkey. The convergence of military supply, strategic geography, and economic corridors suggests that what is unfolding is not merely a bilateral defense relationship, but the emergence of a broader strategic architecture.[5]

This raises critical questions that frame the discussion ahead: Is China's defense engagement with Pakistan primarily about balancing India, or is it about building a deeper strategic corridor of influence? How does this military supply chain connect with and secure China's Belt and Road ambitions? And, in the shadow of emerging crises such as the Strait of Hormuz, what future trajectory will this defense chemistry take?

The Chinese Debate on Pakistan as a Military Partner

Chinese scholars and policy analysts rarely use the term "client state" publicly. Beijing avoids such language because it contradicts China's diplomatic narrative of "South-South cooperation" and "mutual respect," And instead framing the China-Pakistan relations as "All-Weather Strategic Cooperative Partnership."[6] Nevertheless, many strategic writings implicitly portray Pakistan as a dependent security partner whose military and economic vulnerabilities create long-term leverage opportunities for China.[7] In this context, Pakistan is increasingly viewed not merely as a friend, but as a strategic platform for China's western Indian Ocean ambitions and continental balancing against India. These analysts argue that the relationship between China, India, and Pakistan is not a cooperative framework, but a rigid strategic triangle locked in place by rivalry and structural imbalance. Within this matrix, China leverages Pakistan to offset India's regional ambitions, India builds coalitions to check China, and Pakistan remains fixated on deterring its eastern neighbor. They argue that this complex cross-balancing effectively deters open conflict.[8]

One major debate within China concerns the extent to which Pakistan can remain militarily stable and institutionally reliable. Chinese analysts acknowledge that Pakistan's political fragility, economic crises, and internal militancy create operational risks for Chinese investments and security projects. The repeated attacks on Chinese engineers and workers in Balochistan and Khyber Pakhtunkhwa have significantly altered Chinese perceptions. In many Chinese policy discussions, Pakistan is no longer seen only through the lens of geopolitical utility; it is also increasingly assessed as a security liability that requires continuous Chinese protection, intelligence coordination, and military assistance.

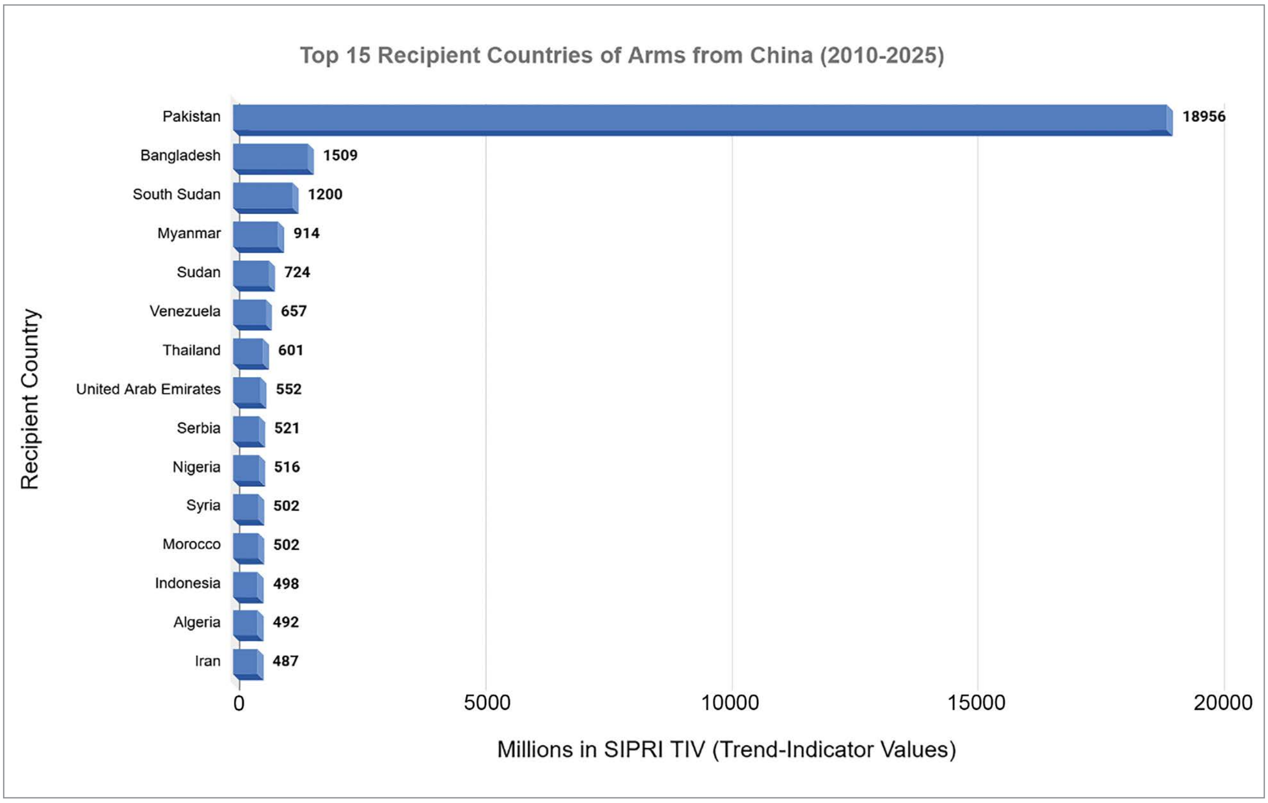
This has deepened the military-client dynamic. China today is Pakistan's largest arms supplier, with deliveries ranging from fighter aircraft and naval platforms to missile systems, drones, and surveillance technologies (see Figure 9.1). The JF-17 fighter program symbolizes more than defense cooperation; it reflects China's strategy of embedding Pakistan into a long-term Chinese military-industrial ecosystem. Pakistan offers China a rare opportunity to demonstrate its military technologies in a live strategic environment against a major regional power like India.[9]

Considering that China has not engaged in active combat since 1979, and that its recently developed advanced weapons have not been tested in combat—a weakness in the global arms sales market—Pakistan's operation of these Chinese-made systems in its frequent border confrontations with India could be part of China's strategy to prove their effectiveness and raise international interest attention in purchasing them. Operation Sindoor in May 2025, for instance, demonstrated Pakistan's role in testing Chinese weapons systems in live warfare, during which Islamabad scrambled the JF-17 and the Chinese-made J-10CE 4.5-generation fighter jets in response to Indian combat aircraft maneuvers, with the latter reportedly shooting down at least one French-made Rafale fighter jet using its PL-15 beyond-visual-range missile.[10]

Another important Chinese perception is that Pakistan serves as a low-cost strategic balancer against India. Unlike the Soviet-era alliance systems or American military alliances, China's approach is subtler and economically layered.

Chinese scholars often argue that Pakistan helps "fix" Indian strategic attention on its western front, thereby limiting India's ability to fully concentrate on the Himalayan frontier or on maritime Indo-Pacific competition. In this thinking, Pakistan acts as a force multiplier for China without requiring Beijing to enter into direct confrontation.

Figure 9.1: China's Top 15 Arms Export



Source: SIPRI Arms Transfers Database (c) SIPRI.

As such, Chinese analysts increasingly view arming Pakistan with Chinese-made weapons systems as a necessary step to balance and deter India's relative military advantage over Pakistan and other neighbors in the region.[11] Over the years, China has contributed to bomb design, and development of anti-ship ballistic missiles and high-explosive components in Pakistan. It has also provided support for Pakistan's nuclear weapons program, and many have speculated that China has helped Pakistan with hypersonic weapons (such as the DF-17 MRBM).[12] This strategy could exploit India's vulnerability to a two-front warfare against two neighboring nuclear-armed states in a potential miscalculation scenario near the disputed Line of Actual Control (LAC), limiting the extent to which New Delhi can extend its military power beyond a local regional war or actively challenge China's maritime outreach in the Indian Ocean.

At the same time, debates also reveal growing anxieties about overdependence on Pakistan.[13] Some Chinese analysts question whether Beijing has invested too heavily in an unstable partner. The economic troubles surrounding CPEC, rising anti-China sentiment in parts of Pakistan, and Islamabad's recurring dependence on IMF bailouts have generated concerns about sustainability. There is also quiet recognition in Chinese circles that Pakistan's strategic utility derives partly from perpetual India-Pakistan tensions. If South Asia were to stabilize politically, Pakistan's leverage within Chinese strategic calculations could diminish considerably.

The naval dimension is especially important in contemporary Chinese perceptions. They argue that India has complicated South Asia's regional security environment through three main actions: expanding its 'Act East' strategy into the South China Sea, attempting to become the net security provider for the Indian Ocean, and deepening its partnerships with the U.S. and its Indo-Pacific allies. [14]

According to these Chinese perspectives, India's maritime policy eventually clashes with China's "legitimate" strategic and economic imperatives in the Indian Ocean to secure its energy supply lines, as well as its maritime backyard in the Western Pacific, generating immediate tactical friction and mutual suspicion.

To neutralize these challenges, Beijing has steadily deepened its naval cooperation with Islamabad. For instance, last April, Pakistani and Chinese officials gathered in Sanya, China, for the official commissioning of Pakistan's first Hangor-class attack submarine. The new maritime vessel marked the initial delivery under a 2015 bilateral defense agreement valued at approximately USD 5 billion for a total of eight conventional submarines. This project will lead to technology transfer as well; the contract stipulates that while four platforms will be built in China, the remaining four will be constructed domestically in Pakistan.[15] Weighing roughly 2,800 tons, these Hangor-class variants of China's Type 039A Yuan-class are equipped with advanced sensors, torpedoes, and anti-ship cruise missiles, utilizing Air-Independent Propulsion (AIP) to significantly enhance Pakistan's undersea endurance.[16]

In this context, Gwadar is increasingly viewed not simply as an economic port, but as a long-term logistical node connected to China's wider Indian Ocean strategy. Chinese writings often avoid explicitly discussing military basing ambitions, yet debates surrounding maritime security, sea-lane protection, and "far seas operations" strongly indicate that Pakistan occupies a central role in China's western Indian Ocean calculations. Consequently, Chinese analysts consider Gwadar a suitable port for naval support of PLA operations in the Indian Ocean, with the construction of dual-use infrastructure capable of hosting both commercial and military vessels from China.[17] In this sense, Pakistan is evolving from a continental buffer into a maritime strategic client. Paired with China's base in Djibouti, the region is shifting from a commercial fallback into a forward operational node for the PLA Navy. Ultimately, this provides Beijing with a critical geostrategic anchor to reduce its geographic vulnerabilities and secure transit pathways directly from the Arabian Sea.

In other words, Chinese debates on Pakistan reflect a mixture of dependency, opportunity, and caution. Beijing sees Pakistan as indispensable for balancing India, expanding Chinese military exports, and securing strategic access to the Arabian Sea. Yet it also recognizes Pakistan's structural weaknesses and unpredictability. The relationship, therefore, is no longer driven solely by ideological friendship or anti-India convergence. Increasingly, it resembles a hierarchical strategic arrangement in which China acts as the principal security provider, financier, and technological patron, while Pakistan functions as a militarily dependent but geopolitically valuable partner within Beijing's broader Indo-Pacific strategy.

Strategic Convergence and Military Modernization

Pakistan's reliance on China for military modernization reflects both necessity and strategic choice.[18] Faced with fiscal constraints, limited access to Western defense markets, and the persistent imperative of maintaining deterrence against India, Islamabad has increasingly turned to Beijing as a comprehensive defense partner. Over the past five years, this partnership has expanded across all major domains—air, land, sea, and emerging technological spaces—marking a transition from transactional procurement to systemic integration.

In the air domain, the co-development of the JF-17 and the induction of advanced fighter aircraft, such as the J-10CE have significantly enhanced Pakistan's operational capabilities, with Islamabad potentially expanding these air superiority capabilities acquired from China through reported deals for its purchase of the J-35A fifth-generation fighter jet. These platforms are equipped with modern avionics, long-range missile systems, and network-centric warfare capabilities, enabling Pakistan to operate in more contested and technologically demanding environments.

In particular, the co-development of the JF-17 represents Pakistan's integration into Chinese-standard weapons systems, which translates into increased interoperability and technology transfer between the two countries, replacing Pakistan's formerly Western-based fighter fleet. Moreover, China's investment in an on-site military aerospace industrial base in Pakistan for local licensed production of Chinese weapons systems further accelerates Pakistan's shift toward China. This is complemented by a robust and layered air defense architecture, including the HQ-9 long-range surface-to-air missile, designed to counter evolving aerial threats and provide a multi-tiered shield against advanced platforms. Pakistan has also recently inducted the Chinese-made Z-10ME attack helicopter to advance the modernization of its defense equipment, mark the first export deal of the Z-10.[19]

On land, the induction of modern armored systems and the co-development of platforms signal a move toward partial indigenization under Chinese technological guidance. This trajectory is exemplified by the mass induction of the VT-4 third-generation main battle tank (MBT), manufactured by China North Industries Corporation (NORINCO), which is also known as Haider in Pakistan. The structural depth of this land-domain alignment is also reflected in China's deep investment in Pakistan's domestic manufacturing pipelines, centered at Heavy Industries Taxila (HIT). Rather than relying on off-the-shelf imports, NORINCO's technology transfer to HIT has supported local heavy engineering and defense production capabilities, resulting in the jointly developed Al-Khalid MBT.

At sea, the acquisition of advanced frigates and deepening submarine cooperation reflect a growing emphasis on maritime security, particularly in the Arabian Sea and around strategic nodes linked to economic corridors, where the partnership with China is modernizing Pakistani naval power projection in the region, away from its legacy reliance on refurbished Western surface combatants. This transition is led by four Chinese-built Type 054 guided-missile frigates, also known as the Tughril-class in Pakistan, equipped with YJ-12E supersonic anti-ship cruise missiles and LY-80N surface-to-air missile systems. The Pakistani Navy also recently received the first of the eight Hangor-class conventional attack submarines acquired from China.

These developments are not isolated—they form part of a broader effort to build a full-spectrum military capability aligned with contemporary warfare requirements. The multifaceted nature of arms transfer from China to Pakistan moves beyond simple trade relations. By enhancing PLA interoperability and building a joint defense industrial base, this partnership carries broad strategic implications. Specifically, it enables the development of a potential joint task force to counter India's regional dominance and secure the Indian Ocean maritime corridor during South Asian contingencies.

Equally important is the shift toward emerging domains.[20] Unmanned systems, cyber capabilities, and electronic warfare are increasingly central to Pakistan's defense posture. Chinese support in these areas reflects a shared recognition that future conflicts will be shaped as much by information dominance and technological agility as by conventional force structures. The cumulative effect is the emergence of a defense ecosystem that is increasingly synchronized with Chinese systems, standards, and strategic thinking.[21]

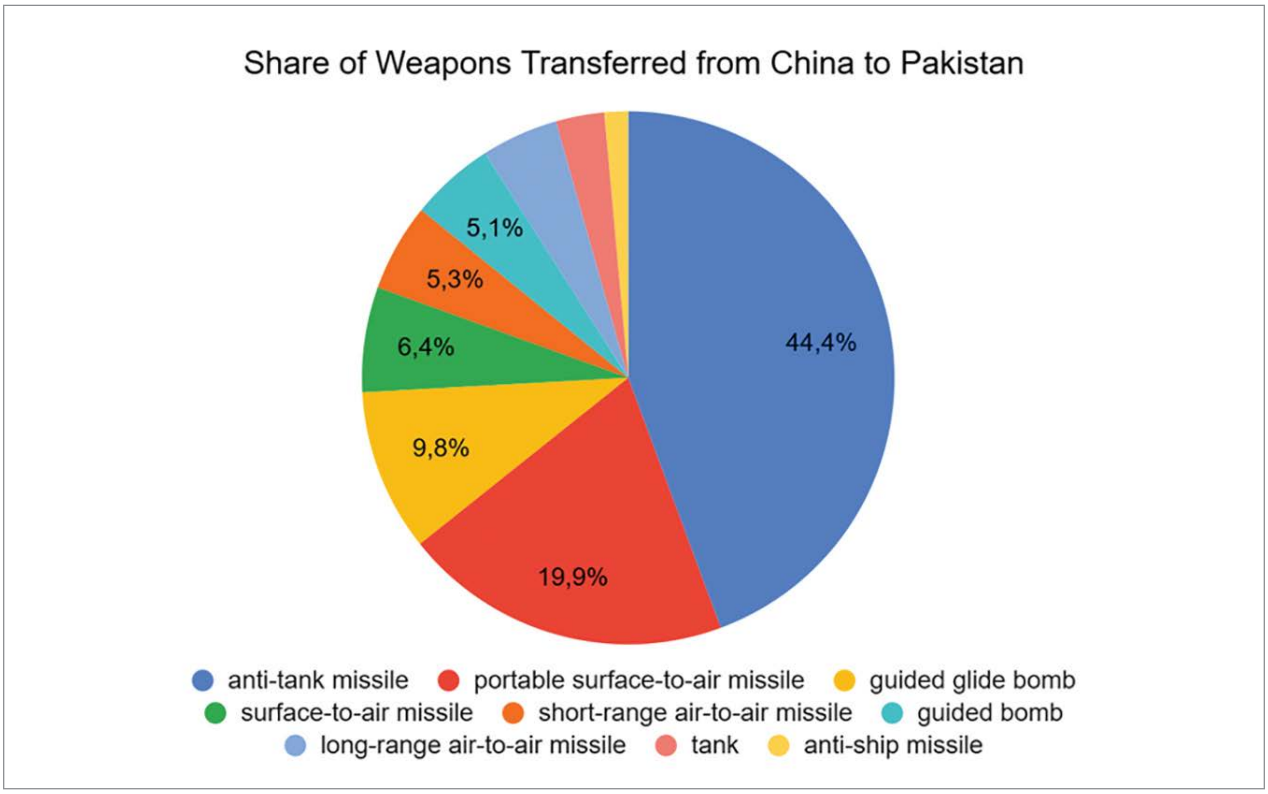
Balancing India and Embedding the BRI Supply Chain

At one level, China's military supply to Pakistan is clearly linked to the enduring India–Pakistan rivalry. By enhancing Pakistan's capabilities in critical domains such as air power, missile systems, and air defense, Beijing helps Islamabad maintain a degree of strategic parity.[22] This, in turn, reinforces deterrence and complicates India's military calculus. However, to view this dynamic solely through the prism of balancing India would be to overlook a deeper and more consequential dimension.

In recent years, China's arms supply to Pakistan has been increasingly embedded within its broader Belt and Road Initiative (BRI), particularly the China–Pakistan Economic Corridor (CPEC).[23] Pakistan's geography, linking western China to the Arabian Sea, makes it a critical node in Beijing's connectivity ambitions.[24] Ensuring the security of this corridor is therefore not just a Pakistani priority but a Chinese strategic imperative. Military transfers, in this context, serve a dual function: they enhance Pakistan's defense capabilities while simultaneously safeguarding Chinese investments and infrastructure.

A closer look reveals a discernible pattern in China's arms supply.[25] The transfers are not random or purely demand-driven; they are structured around building a coherent, interoperable system aligned with Chinese supply chains. Air defense systems, naval platforms, and surveillance capabilities are designed to protect key economic assets, including ports, transport routes, and energy infrastructure (see Figure 9.2). The emphasis on maritime capabilities reflects the need to secure sea lines of communication linked to Gwadar and the wider Indian Ocean.

Figure 9.2: Share of Type of Weapons Transferred from China to Pakistan



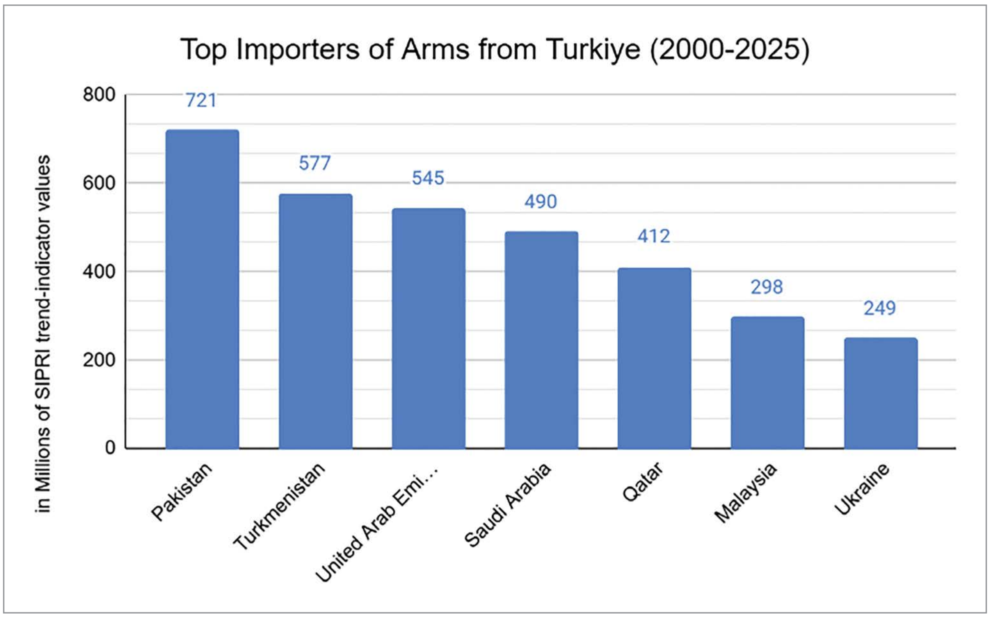
Source: SIPRI Arms Transfers Database (c) SIPRI.

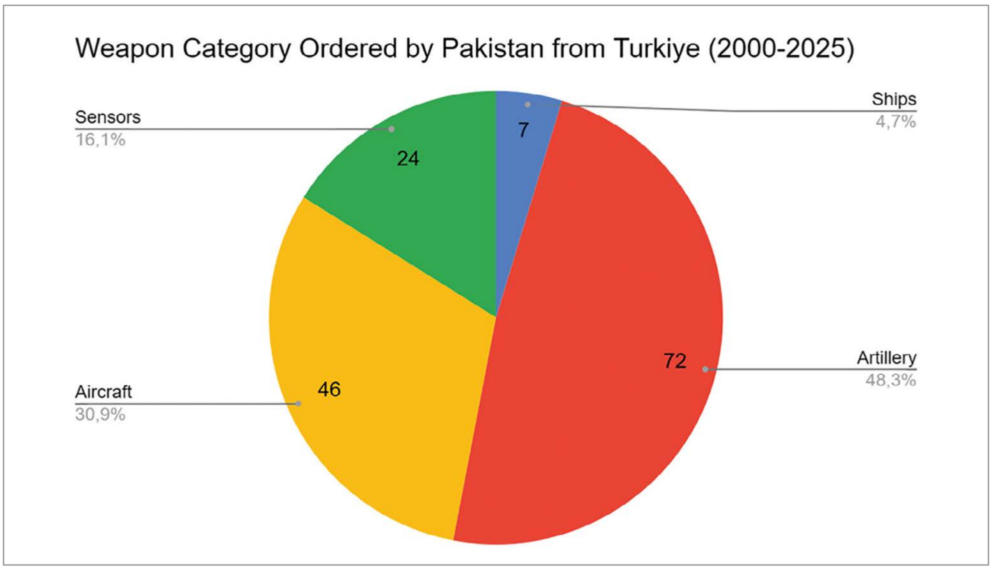
This pattern suggests that China is effectively extending its strategic supply chain through Pakistan. Military logistics, maintenance ecosystems, and technological standards are increasingly integrated, creating a long-term dependency that ties Pakistan's defense apparatus to Chinese systems. In this sense, the defense partnership becomes an extension of the Silk Road, in which economic corridors are reinforced by security architectures, and connectivity is underwritten by military capability. Pakistan thus emerges not just as a recipient of arms, but as a critical link in China's evolving geostrategic network.

The China–Pakistan defense partnership is also intersecting with a broader set of relationships, most notably involving Turkey (see Figure 9.3). While not a formal alliance, the growing interaction among these three countries points to a flexible and pragmatic alignment shaped by shared interests and complementary capabilities. Turkey's advances in drone technology, naval systems, and defense electronics add a new dimension to Pakistan's military modernization, while China continues to provide scale, financing, and high-end systems.

This triangular dynamic reflects a wider trend in global security—where rigid alliances are giving way to networked partnerships. For Pakistan, this diversification enhances operational capabilities while retaining a core dependence on China. For China, it offers a means to expand influence indirectly and to integrate additional technological inputs into its broader defense ecosystem. The result is a layered and adaptive security arrangement that is likely to evolve further in the coming years.

Figure 9.3: Turkey-Pakistan Defense Relationship





Source: SIPRI Arms Transfers Database (c) SIPRI.

Future Trajectories: Defense Chemistry After the Hormuz Crisis

The evolving security environment around the Strait of Hormuz adds a new layer of urgency and complexity to the China–Pakistan defense partnership. As one of the world's most critical energy chokepoints, Hormuz has become increasingly central to global strategic calculations, particularly in the context of rising tensions and the potential for disruption. For China, which remains heavily dependent on energy imports from the Gulf, securing maritime routes is a paramount concern. Pakistan's proximity to the Arabian Sea and its role as a potential logistical and strategic hub makes it an indispensable partner in this equation.

In the aftermath—or even the prolonged shadow—of the Hormuz crisis, the China–Pakistan defense relationship is likely to deepen further. Maritime cooperation will assume greater importance, with an increased focus on naval deployments, surveillance, and the protection of sea lines of communication. Gwadar's strategic relevance could expand from a commercial port to a more integrated security node, linking economic and military functions.

At the same time, the emphasis on rapid-response capabilities, including drones, missile systems, and integrated command structures, is likely to intensify. The need to operate in a contested and potentially volatile maritime environment will drive greater interoperability and coordination between Chinese and Pakistani forces. This could also open the door to expanded trilateral or multilateral engagements, particularly involving partners such as Turkey.

Looking ahead, the China–Pakistan defense partnership may evolve into a more outward-looking arrangement—one that not only addresses bilateral security concerns but also contributes to a broader Chinese strategy of securing critical chokepoints and trade routes. The Strategic Mutual Defence Agreement signed by Pakistan and Saudi Arabia could significantly increase the presence of Chinese weapons in the Middle East.[26] This deployment could serve as a litmus test for future regional arms sales, demonstrating how Chinese-made systems perform in Middle Eastern warfare and how well they interoperate their interoperability with the Gulf states' Western-standard systems. In this sense, Hormuz is not just a crisis point; it is a catalyst that could accelerate the transformation of the partnership into a key pillar of China's global strategic posture.

Summing Up: From Arms Transfers to Strategic Architecture

The trajectory of China's arms transfers to Pakistan over the past five years reveals a shift that is both profound and far-reaching. What was once a supplier–recipient relationship has evolved into a deeply integrated defense partnership, encompassing co-development, technological alignment, and long-term strategic planning. Balancing India remains a central element, but it is increasingly embedded within a broader framework that links military capability with economic connectivity and geopolitical influence.

The integration of defense supply chains with the BRI underscores the strategic depth of this partnership. Pakistan is no longer just a consumer of Chinese arms; it is a critical node in a wider network that connects infrastructure, security, and strategy. The emerging triangular dynamics involving Turkey further highlight the fluid and adaptive nature of contemporary security arrangements. In the final analysis, Beijing's military engagement with Pakistan transcends mere capacity-building; it is the construction of a new strategic architecture that binds defense, economics, and geography together into one coherent whole. As this architecture continues to evolve, it will play a decisive role in shaping the balance of power in South Asia, the security of the Indian Ocean, and the future trajectory of global strategic competition.

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PART III

CPEC Expansion and Regional Spillover


CPEC
CHINA–PAKISTAN
ECONOMIC CORRIDOR
KEY CHALLENGES
BEFORE CPEC 2.0
Strategic, Financial & Operational Barriers in the
China–Pakistan Economic Corridor Transition
$30 BILLION
Pakistani Debt to China
≈ 21% of Pakistan's
Total External Debt
1 KEY CHALLENGES IN THE TRANSITION TO GREEN ENERGY PAKISTAN
CHALLENGE
IMPACT
High Investment Requirements
USD 1 Trillion needed globally for renewable infrastructure.
Debt Accumulation
Rising liabilities to Chinese Independent Power Producers (IPPs).
Policy Uncertainty
Frequent policy changes discourage investors.
Weak Transmission Networks
Grid infrastructure unable to provide adequate evacuation for renewables.
Limited Local Investment & Partners
Scarcity of reliable local partners for long-term collaboration.
Complex Taxation & Regulations
High taxes and complicated regulations deter investment.
Wind Sector Curtailment
Curtailment and technical challenges reduce efficiency and stability.
FX Constraints
Uncertainty in foreign exchange availability affects financial planning.
Investor Confidence Erosion
Inconsistent policies and slow approvals undermine investor trust.
2 CHALLENGES FOR STRATEGIC FUSION (CPEC – ePAKISTAN VISION)
CORE PROBLEMATIC FACTOR
STRATEGIC CONSEQUENCES
Institutional Silos
Departments operate with misaligned goals, separate priorities, and isolated reporting mechanisms.
Loss of synergy, duplicated efforts, and fragmented decision-making.
High levels of compartmentalization.
Capacity Gaps
Critical shortages in specialized human capital in digital tech, industrial planning, and renewable energy sectors.
Suboptimal project design.
Weakened contract negotiations.
Delays in execution.
Limited local participation.
Provincial–Federal Tensions
Inter-provincial competition for investments and disputes regarding the equitable distribution of national resources.
Erosion of national cohesion.
Reduced development.
Poor allocation of investment.
Risks to CPEC's strategic vision.
Debt Sustainability
The imperative for stringent financial management to ensure the viability of long-term debt obligations.
Escalating reliance on foreign borrowing.
Increasing pressure on fiscal space.
Threats to long-term social and economic investments.
3 CHALLENGES, CONSTRAINTS AND BARRIERS TO INVESTMENTS IN CPEC PHASE-II (B2B)
B2B & OPERATIONAL CHALLENGES
Frequent, inconsistent changes in federal and provincial power policies.
Uncertainty in foreign exchange (FX) availability for financial planning.
Insufficient transmission networks and technical growth gaps.
Complex, slow approval processes for renewable energy projects.
Lack of deep understanding regarding Chinese investors' specific expertise.
INVESTMENT & SECTOR CONSTRAINTS
Lack of policy clarity and difficulty identifying key decision-makers.
Accumulating debt to Chinese Independent Power Producers (IPPs).
Curtailment issues in the wind sector disrupting stability.
Shutdown threats (e.g., Port Qasim) due to government defaults.
Support for green debt swaps is siloed within specific ministries (NDRC/Planning).
FINANCIAL & MOBILIZATION BARRIERS
Stringent taxation and complex regulations increasing financial burdens.
Bureaucratic hurdles in capital movement and FX transactions.
Scarcity of viable local partners for long-term collaboration.
Limited local investment opportunities to diversify portfolios.
High reliance on external resources due to local partner scarcity.
CPEC 2.0 SUCCESS REQUIRES
Policy Stability & Consistency
Skilled Human Capital
Strong Federal–Provincial Coordination
Robust Renewable Energy Infrastructure
Sustainable Debt Management
Investor Confidence & Regulatory Reforms
Source: Accelerating Green Energy Transition under China–Pakistan Economic Corridor 2.0
+ Zona Usmani 1,*, Sadia Satti 1 and Muhammad Zulfiqar

Afghanistan in China's Extended CPEC 2.0 Strategy

Ratish Mehta

The Architecture of CPEC Phase II: A Corridor Reborn

On September 26, 2025, Pakistan and China officially inaugurated China-Pakistan Economic Corridor (CPEC) Phase II at the 14th Joint Cooperation Committee (JCC) meeting in Beijing, formally closing the curtain on the corridor's first decade of infrastructure-heavy investments and opening what both sides have described as a more ambitious era of industrialization, technology transfer and regional connectivity.[1] Phase I of the CPEC left a substantial physical mark with Pakistan adding 8,904 megawatts to its national grid and building 888 kilometers of highways.[2] Yet beneath these achievements lay ballooning debt, chronic delays, opaque contracts, and a US$9.5 billion energy-sector debt burden that came to symbolize the structural imbalance at the core of the partnership.[3]

Phase II of the multi-billion-dollar project has in many ways been designed to rewrite that narrative. The 14th JCC endorsed what Beijing and Islamabad jointly called the Five Corridors of CPEC 2.0: Growth, Livelihoods, Innovation, Green Development, and Regional Connectivity.[4] These five corridors are mapped, at least on paper, onto Pakistan's own '5Es' economic framework—Exports, Energy, Environment, Equity, and Empowerment. An Action Plan for the Next Decade, signed in September 2025, lays out a comprehensive agenda covering industrial cooperation, Special Economic Zones (SEZs), agriculture modernization, maritime development, mining, and flagship connectivity projects including the ML-1 Railway upgrade, Karakoram Highway realignment, and expanded Gwadar development.[5] Pakistan's Planning Minister Ahsan Iqbal, speaking at the 14th JCC, called for government-to-government SEZs in Karachi and Islamabad as model export-oriented hubs, attracting Chinese industrial relocation in textiles, engineering, electronics, pharmaceuticals, and electric vehicles.

The centerpiece of Phase II's strategic ambition, however, lies not in Pakistan's industrial zones but further west. The Regional Connectivity Corridor of CPEC 2.0 is the formal scaffolding for extending the corridor into Afghanistan—a country at the convergence of South, Central, and West Asia, and whose integration into the BRI network has been a Chinese strategic objective since well before the Taliban's return to power in 2021.[6] The May 2025 trilateral agreement made this explicit with the seven-point program including infrastructure connectivity, trade facilitation, counterterrorism cooperation, and energy cooperation as the first four planks of Afghan integration.[7] The planned overland routes run from Torkham to Kabul in the east and from Chaman toward Kandahar in the south, threading Afghanistan into a Pakistani infrastructure spine that CPEC Phase I built and which Phase II is meant to industrialize (see Table 10.1).

What that program does not resolve, and what Beijing's drafters appear to have treated as a downstream problem, is the fundamental instability of the bilateral relationship it depends upon. Afghanistan and Pakistan do not simply have a difficult border; they have a disputed one whose terms no Afghan government has ever formally accepted. The Taliban, which draws significant domestic legitimacy from nationalist as well as Islamist commitments, is no exception. The Tehreek-i-Taliban Pakistan (TTP) operates from Afghan territory not despite Taliban governance but in some measure because of the ideological and tribal bonds that make the Taliban unwilling, and in places unable, to dismantle it. Pakistan's military facing domestic pressure to act, cannot indefinitely absorb these strikes as the price of Chinese-brokered diplomacy. The October 2025 border clash followed by the recent February 2026 'Open War', escalated by Pakistani airstrikes into Afghan territory, and met with Taliban military retaliation demonstrated exactly how quickly those tensions can reach breaking point.

The Regional Connectivity Corridor of CPEC 2.0 is therefore not just an infrastructure question. It is as much a political bet as an economic one, premised on the assumption that economic incentives can stabilize a relationship whose instabilities run deeper than any investment package can reach. Phase II was announced against a backdrop in which that bet has already been partially called.

Table 10.1: CPEC Phase I vs. Phase II - A Comparative Overview

Dimension	CPEC Phase I (2015–2025)	CPEC Phase II (2025–2030+)
Primary Focus	Energy, highways, Gwadar port development	SEZs, industrialization, digital economy, agriculture
Investment Value	~$46 billion (Phase I portfolio, per Minister Iqbal, 14th JCC)	$8.5 billion+ in new pledges
Geographic Scope	Pakistan (Xinjiang to Gwadar)	Pakistan + Afghanistan extension; Central Asian linkage
Flagship Projects	Sahiwal & Port Qasim power plants, Gwadar airport	ML-1 upgrade, KKH realignment, Gwadar expansion, SEZs
Governance	JCC; slow implementation	Biannual JCC + quarterly Working Groups proposed; stalled post Pak-Af conflict
Afghan Dimension	Absent (referenced in BRI documents only)	Formally endorsed May 2025; tested by October 2025 and February 2026 conflict

Sources: CPEC Secretariat, '14th JCC Meeting Communiqué,' September 26, 2025;[8] Pakistan-China Investment Conference communiqué, September 2025; Accords worth $8.5bn signed during PM's China visit;[9] author's assessment.

The May 2025 Breakthrough: How Afghanistan Entered the CPEC Frame

In a carefully choreographed gathering, Chinese Minister of Foreign Affairs Wang Yi, Pakistan's Deputy Prime Minister Ishaq Dar and Afghanistan's Acting Foreign Minister Amir Khan Muttaqi collectively announced what diplomats had only whispered about for years; CPEC would be extended to Afghanistan.[10] The agreement was not merely symbolic but had also followed months of shuttle diplomacy by China's special envoy Yue Xiaoyong and produced a concrete diplomatic upgrade where both Pakistan and Afghanistan agreed to exchange ambassadors for the first time since Taliban's seizure of Kabul in 2021.[11] In August, a second trilateral convened in Kabul, reinforcing the framework with pledges on counterterrorism cooperation and drug interdiction.[12]

From Beijing's vantage point, the logic of this move was clear. Afghanistan sits at the nexus of South, Central, and West Asia, and its inclusion in CPEC offers China a land bridge that could eventually connect Gwadar on the Arabian Sea to the markets of Central Asia, bypassing maritime chokepoints that remain vulnerable to geopolitical threats. Two of the Belt and Road Initiative's six corridors, CPEC and the China-Central Asia-West Asia Economic Corridor, run through countries bordering Afghanistan, making Kabul's integration into the BRI network a strategic imperative rather than a diplomatic nicety.

For Pakistan, the calculus was equally clear. Relations with the Taliban had deteriorated sharply following Kabul's refusal to meaningfully curb cross-border attacks by the TTP, and bilateral coercive tools have since comprehensively failed. China's mediation offered Islamabad a face-saving path back to engagement with the promise of economic investment providing the incentive to reopen channels that political and military pressure had not been able to restore. The Chinese formula of peace through prosperity, Islamabad calculated, was more likely to produce results than continued coercion. The Taliban on the other end had its own reasons to engage; China's economic promises represent a rare channel for revenue and external legitimacy in an era of international isolation and sanctions.

That all three parties found reasons to participate in the same framework does not mean they share the same objectives. China's engagement with Afghanistan under the Taliban is driven by an interlocking set of interests that goes well beyond neighborhood diplomacy, and understanding what Beijing actually seeks from the trilateral requires examining each imperative in turn.

China's Strategic Calculus: Minerals, Security, and Geopolitical Depth

Three strategic imperatives define Beijing's approach and each has been complicated, though not invalidated, by the recent conflict between Islamabad and Kabul. Afghanistan is, in the now-famous formulation of a 2010 U.S. Defense Department memo, the 'Saudi Arabia of Lithium.'[13] The country's Ministry of Mines and Petroleum estimates its subsoil may hold 60 million tons of copper, 2.2 billion tons of iron ore, 1.4 million tons of rare earth elements, and an enormous, as-yet-fully-surveyed reserve of lithium.[14] At aggregate estimated values exceeding US$1 trillion, these deposits represent the most concentrated pool of critical minerals not yet systematically exploited anywhere in the world.

China has moved methodically to position itself as the primary external claimant to this wealth (see Table 10.2). The Metallurgical Corporation of China (MCC) and the Jiangxi Copper consortium hold a 30-year concession for the Mes-i-Aynak copper deposit, estimated at over US$100 billion, though construction has been plagued by delays, security threats, and contractual disputes. A Chinese firm proposed a US$10 billion investment in Afghanistan's lithium reserves with a promise of 120,000 jobs.[15] By 2022, China had already committed to granting zero-tariff access to 98 percent of taxable Afghan exports, a strategic economic concession designed to consolidate goodwill and market access simultaneously.[16]

Yet the Taliban's willingness to sustain these arrangements has proven contingent on its own political calculations. In July 2025, even as the August trilateral loomed, the Taliban cancelled the Amu Darya oil deal citing inadequate benefit transfers while the Mes-i-Aynak remains scattered.[17] The October conflict further complicated the operating environment for Chinese firms on the ground.

Table 10.2: Key Chinese Resource and Investment Engagements in Afghanistan

Year	Sector	Deal / Action	Status (as of Feb 2026)
2008/2024	Copper	Mes-i-Aynak; MCC/Jiangxi Copper 30-year concession (US$2.9 billion contract value). [18] Access road groundbreaking ceremony conducted on 24 July 2024.	Nominally active; no extraction commenced; project stalled
Jan 2023	Oil & Gas	25-year contract; CAPEIC to invest US$150 million annually, rising to US$540 million over three years. Amu Darya basin, northern Afghanistan.[19]	Cancelled by Taliban, June 17, 2025, citing contract violations
Apr 2023	Lithium	Gochin Company proposed US$10 billion investment with promise of 120,000 direct jobs; no contract signed.[20]	Proposal only; no contract; no further developments confirmed
Oct 2024	Trade	China expanded zero-tariff treatment to 100% of Afghan tariff lines effective 1 December 2024;[21] Afghan exports to China +37% in Q1 2025.	Operational; trade growing despite October 2025 conflict
May 2025	Infrastructure	Trilateral CPEC extension agreement; road and rail feasibility studies proposed at Beijing meeting.	Framework agreed; implementation on hold since October 2025 conflict

The Security Imperative

No issue animates Beijing's Afghan policy more than the security of its western flank. China shares roughly 92-kilometers of border with Afghanistan through the Wakhan Corridor—a potential transit route for Uyghur militants of the East Turkistan Islamic Movement (ETIM), which China designated a terrorist organization and whose members it believes are sheltering in northeastern Afghanistan. Despite Beijing's repeated demands, the Taliban has responded with relocation rather than repatriation, moving ETIM members away from the Chinese border but without dismantling their networks.[22] Although China has leveraged both diplomatic entreaties and economic incentives to press for compliance, the Taliban's longstanding ideological affinity with pan-Islamic militant networks makes full acquiescence unlikely. What Beijing has extracted rather, in exchange for economic incentives through the CPEC, is a tacit understanding where Kabul will not become an active launch-pad for attacks on Chinese interests, but neither will it become a counterterrorism partner in any meaningful operational sense.

The TTP, however, has complicated these dynamics. With around 14 attacks on CPEC infrastructure recorded between 2021 and late 2024, killing 20 Chinese nationals and injuring 34, the TTP has emerged as a direct threat to Beijing's Pakistani investments.[23] The trilateral framework implicitly tasks Afghanistan with restraining TTP cross-border operations, and the Taliban has reportedly pledged that Afghan territory will not be used to destabilize Pakistan. However, since the trilaterals, each TTP attack on Pakistani soil has generated a Pakistani military response; each Pakistani strike on Afghan territory has inflamed Taliban sovereignty grievances and each Taliban military retaliation has ended up closing the border crossings through which CPEC goods would have eventually passed. This cycle is not a sequence of discrete failures, but it has become the de-facto structural condition of the corridor's Afghan extension.

China's response to this structural condition has not been to address it directly. Beijing has neither the leverage to compel Taliban action against the TTP nor the appetite for the security guarantees that such conditions would require. Instead, it has constructed a parallel architecture of economic and informational instruments designed to manage the relationship's instabilities rather than resolve them. That architecture operates across the primary domain of influence operations across both Afghanistan and Pakistan. The extent to which it has proven adequate to the task is examined in the following section.

China's Influence Architecture: The Soft Power Ecosystem and Its Limits

The activities of China's state media in the Af-Pak region are among the most systematic exercises in narrative management currently underway in the developing world. However, China's media expansion into Afghanistan since 2021 cannot be understood in isolation from the media landscape it is entering. Independent media in Afghanistan has effectively been replaced by Taliban-controlled state media, supplemented by a small number of outlets operating in exile and a handful of foreign broadcasters. It is into this vacuum that Chinese state and state-linked media have moved with purpose. CCTV and CGTN continue to maintain offices in Kabul. Axon Media Network's CRI Pashto, part of the China Radio International franchise, runs twice-daily programs broadcast in Kabul and Kandahar and has accumulated over three million followers across social media platforms—a reach that competes with established Afghan outlets and exceeds many of them.[24] Private Afghan broadcasters, including Shamshad TV and Axon Media itself, have received Chinese financial assistance; the Bakhtar News Agency, the Taliban's official state media apparatus, has deepened its cooperation with Chinese outlets through joint programming, content sharing, and technical support. In May 2025, the editor-in-chief of the Bakhtar News Agency travelled to Zhejiang Province as part of a Chinese-hosted delegation of Afghan journalists, alongside representatives of Tolo News and Shamshad TV, touring media enterprises and high-tech industrial facilities in Hangzhou, Jinhua, and Yiwu.[25] The visit was documented by China Daily and framed as cultural exchange; its function as a structured exercise in narrative alignment was less prominently noted.

The editorial parameters governing this expanded presence have also been documented by multiple sources. Afghan journalists employed by Chinese outlets in Kabul stated explicitly that they were instructed to produce only positive content and told to produce documentaries and reports that strengthen China's relations with the government. Former Afghan employees of CCTV and CGTN also stated that Chinese outlets had previously provided content to Afghan channels emphasizing corruption, insecurity, and political dysfunction under the Ghani government, material that served Beijing's interest in undermining Western-backed governance, and that coverage had shifted after 2021 toward regional political and security issues, particularly Afghanistan-Pakistan tensions. The editorial line has thus tracked Beijing's strategic interests at each phase rather than any stable journalistic principle (see also Table 10.3).

Jawed Qaim, who served as the last ambassador of the pre-Taliban Afghan government to China, framed Beijing's media engagement in explicitly strategic terms in an interview: "Media investment can be part of China's broader economic and political strategy. They want to promote their projects in Afghanistan and improve their image across the region."[26] The journalist training dimension also replicates a model that Beijing has refined extensively across its engagement in Africa. The All-China Journalists Association, the principal state-backed body representing journalists in China and operating within the Communist Party of China's (CPC) Propaganda Department, operates exchange programs that bring journalists from BRI partner countries to China for training modules combining technical skills with immersion in Chinese media practice.[27] The Reporters without Borders, surveying journalism unions worldwide, found clear indications that these exchanges produced measurable impact on the willingness of participating journalists to report critically on Chinese interests in their home countries.[28] In Pakistan, Xinhua's content-sharing agreements with domestic wire services have long embedded pro-CPEC narratives into the national media ecosystem; Pakistani editors and broadcasters who have participated in Chinese journalist training programs have been subsequently positioned within newsrooms that receive Xinhua content as part of their daily feed.

Table 10.3: China's Influence Tools in Pakistan and Afghanistan: Reach, Effectiveness and Crisis Resilience

Tool	Pakistan (Reach)	Afghanistan (Reach)	Assessment after October 2025
State media (Xinhua, CGTN, CRI)	High — content-sharing with major outlets	Growing — CRI Pashto, Bakhtar cooperation	Effective in peacetime narrative; ineffective in crisis information environments
Financial leverage (debt, trade)	Very High — $9.5B energy debt; $65B total CPEC	Moderate — zero-tariff access; $7B+ mining pledges	High structural leverage; border closure exposed vulnerability of trade dependency
Diplomatic co-optation (trilateral)	High — China as indispensable mediator	High — was among the first major power engaging Taliban	Framework intact but exposed as non-binding; October 2025 and February 2026 clashes prove trilateral redundant
People-to-people (scholarships, training)	Moderate — 10,000 PhD pledged for Phase II	Low — Afghan students to Chinese universities	Long-term; crisis-resilient; returns highly uncertain
Infrastructure diplomacy (roads, ports, SEZs)	High — Gwadar, highways	Low — major projects still stalled	Extension aspirational; recent conflict closed important routes indefinitely
Security cooperation	High — joint exercises; Chinese security deployment and defense cooperation	Very Low — ETIM compliance limited; ISKP active; TTP prevalent	Structural failure: China has not been able to prevent Pak-Afghan military escalations

Author's assessment based on sources cited in endnotes.

Policy Recommendations

The recent February 2026 rupture between Pakistan and Afghanistan, coming within months of the second China-brokered trilateral announcing CPEC extension, demands not readjustment but fundamental a reappraisal of the assumptions underlying regional engagement. The following recommendations are addressed to the international community and multilateral institutions.

For the International Community

- **Engage the post-conflict space**: The West's disengagement from Afghanistan created the vacuum that China is attempting to fill. The February/October conflict has partially refilled that vacuum with violence. Alternative connectivity frameworks such as Chabahar, INSTC, and Central Asian-linked corridors should be actively resourced. The moment when neither Beijing nor Islamabad has a functioning mechanism in Afghanistan is precisely when external alternatives carry the most weight.

- **Develop a critical minerals strategy for Afghanistan**: Afghan lithium, copper, and rare earth deposits are a global resource. A framework modelled on Clean Energy Supply Chain initiatives in Europe and North America should enable sustainable resource development in Afghanistan without ceding extraction monopoly to China and without requiring the Taliban's compliance with a CPEC timetable that recent Afghan-Pak conflicts have made indefinite.

For Multilateral Institutions

- **Establish a dedicated Af-Pak border monitoring mechanism**: Multilateral institutions and all relevant stakeholders should host a standing border monitoring and early warning mechanism. The October 2025 nor the recent February fighting were unpredictable; warning indicators were visible for months. A multilateral mechanism with real-time information sharing could interrupt escalation cycles before they reach the level of sustained military exchanges.

- **Promote inclusive regional connectivity frameworks**: Regional stakeholders should develop connectivity frameworks that include India, Iran, and Central Asian states, rather than leaving the field to bilateral Sino-Pakistani architecture. Connectivity that bypasses or excludes major regional actors generates the very rivalries that has long fragmented regional economic integration.

For Europe

- **Treat the Af-Pak conflict as a European security issue, not a peripheral bilateral dispute:** Each escalation cycle on the Pakistan-Afghanistan border generates displacement flows that arrive, eventually, at European borders. Pakistan's mass deportations of Afghan nationals during the October 2025 conflicts accelerated secondary movement through Iran and Turkey, where more than 100,000 registered Afghan refugees and asylum seekers are already in transit toward Europe. [29] The European Commission's own Regional Multi-Annual Action Plan for Afghanistan acknowledges that Afghanistan represents one of the most severe and enduring displacement crises in the world. A sustained Pakistan-Afghanistan conflict does not stabilize this picture. The EU's existing Border Management Program in Central Asia and Afghanistan provides an institutional channel for engagement that should be renewed and activated rather than allowed to lapse as the security situation deteriorates.

- **Develop a European position on Afghan mineral governance:** Afghanistan's lithium, copper, and rare earth deposits are of strategic relevance to European supply chain diversification. Europe has a clear interest in ensuring that extraction proceeds under transparent governance rather than by default ceding the field entirely to Chinese firms operating without accountability frameworks. This does not require direct European investment in Afghanistan's extractive sector, but it requires diplomatic pressure for transparent competitive bidding, public royalty disclosure, and environmental oversight as conditions of any normalized engagement with Kabul. The absence of a European position on this question is itself a policy choice with consequences.

- **Use the EU-Central Asia Strategic Partnership to keep Afghanistan's connectivity options open:** The April 2025 EU-Central Asia Summit upgraded the relationship to a strategic partnership with connectivity identified as a core priority. [30] The Trans-Caspian Middle Corridor, which connects Central Asia to Europe without transiting Russian or Chinese-controlled routes, depends on regional stability that a Pakistan-Afghanistan conflict directly threatens. This situates Afghanistan within a broader strategic framework that extends beyond immediate crisis management and demands greater focus.

Summing Up: A Gamble with Unequal Stakes

The China-Pakistan-Afghanistan trilateral is, at its core, a high-stakes gamble. When Wang Yi, Ishaq Dar, and Amir Khan Muttaqi posed together in May 2025, Beijing had reason for cautious optimism. Two rounds of trilateral diplomacy in three months, an ambassadorial upgrade, and a formal CPEC extension framework suggested that China's model of 'peace through prosperity' was gaining traction in one of the world's most difficult diplomatic environments. By October, Pakistani aircraft were striking Afghan territory, the border crossings were closed, and China was publicly calling on both partners to protect its nationals. By February, the conflict entered unchartered territory of an "Open War" between the two neighbors. The distance between those two moments is the measure of the gamble's current condition.

The recent rupture does not mean the CPEC extension to Afghanistan is over. China is betting that economic incentives can discipline a Taliban government that has now demonstrated its willingness to cancel Chinese contracts in June, fight Pakistan in October, and court India in the same month; all within a single year. Islamabad was seemingly betting that China's mediation would stabilize a relationship in which the fundamental bone of contention, the TTP's sanctuary in Afghanistan, has not been addressed by any amount of Chinese-brokered dialogue. The Taliban is wagering that it can extract maximum economic benefit from multiple external patrons without giving in to any of them.

What the influence operations section of this chapter makes clear is that China's capacity to manage these relationships is more constrained than its media footprint and financial leverage suggest. Beijing has built a substantial presence in Afghan information space, but as the clashes between Kabul and Islamabad demonstrated, Beijing's presence shapes elite discourse during stable periods and loses traction the moment military facts take over the information environment. The editorial alignment Chinese outlets have cultivated with Taliban-controlled state media did not give Beijing any capacity to moderate the narrative once Pakistani airstrikes and Taliban retaliation began. Soft power, in other words, is not a substitute for the hard political work of resolving disputed issues; it is a complement to that work, and a complement that functions only when the underlying relationship is not in active crisis.

The financial leverage picture is similarly double-edged. Pakistan's US$9.5 billion energy-sector debt to China gives Beijing structural influence over Islamabad's economic decisions but has not translated into the security outcomes CPEC requires. In Afghanistan, zero-tariff access and mining concessions have given the Taliban revenue and external engagement without producing the compliance that Beijing anticipated; the June 2025 contract cancellation and the October military escalation occurred against a backdrop of expanding Chinese economic engagement. Economic statecraft, the evidence suggests, works as an entry point into the relationship but not as a disciplining mechanism within it.

These are not grounds for concluding the project will fail. China has resources, patience, and a model of engagement that the Taliban finds distinctly less threatening than Western conditionality. The Gwadar-to-Kabul vision could, over a decade, genuinely transform the connectivity of a landlocked country that has known little but isolation and conflict. And the trilateral framework, even if it failed to prevent recent escalations, remains the only multilateral mechanism currently in operation that includes Pakistan, Afghanistan, and a major external power in the same room.

But the risks are structural, not merely operational. Pakistan cannot sustain the debt burden its existing CPEC commitments entail without a Phase II that delivers genuine industrial transformation and there is little evidence that transformation is imminent. Afghanistan cannot become a stable corridor for Chinese investment while ISKP remains active, ETIM remains present, and when the Taliban's own internal cohesion is untested by the governance demands that large-scale infrastructure development will impose.

The CPEC extension depends on a stable Af-Pak bilateral relationship, and that relationship is unstable not because of diplomatic failures but because its core tension lies beyond the reach of the instruments China has deployed. Economic incentives, media presence, and diplomatic choreography are the tools Beijing has available. The problem requires something none of them can supply; a political settlement between Pakistan and Afghanistan that neither party has shown any willingness to reach on terms the other would accept. And, that is the gamble still outstanding.

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11

Gwadar's Strategic Paradox: CPEC and the Politics of Control by Other Means

Brendon J. Cannon

Introduction

Infrastructure being constructed around and through Eurasia by China is beginning to resemble a silk cage for India. This silken cage is composed of infrastructure nodes connected by economic corridors that are together framed as development projects. Yet roads, railways, technological dependencies, and ports can yield something more consequential than connectivity: a semblance of control—not through annexation, but through the steady embedding of influence and the gradual narrowing of partner autonomy. Nowhere is this more apparent than in the China-Pakistan Economic Corridor (CPEC), the crown jewel of President Xi Jinping's Belt and Road Initiative (BRI). Beijing and Islamabad frame the corridor as a growth corridor vital to development. Scholars and pundits alike across the Indo-Pacific beg to differ and interpret CPEC in stark geopolitical and geostrategic terms: as a mechanism for strategic leverage that explicitly links continental access to maritime reach.

In China's silk cage, not every partner becomes a client, nor is every project coercive. At times, this oversight and assistance—"control" by other means—are not only desired, but directly requested when regimes seek stability, protective capacity, or insulation from rival powers. This includes Pakistan, Iran, Myanmar, and (since 2022) even Russia. At other times, anxiety over perceived or real dependence generates pushback and adaptation. Central Asian states such as Uzbekistan and Kazakhstan, for example, do not simply acquiesce, but preserve room to maneuver through strategies such as "omni-enmeshment," deepening ties with multiple external actors even under conditions of asymmetry.[1] This is precisely why the silk cage metaphor is analytically useful: rather than assuming linear domination, it focuses attention on how corridors become geopolitical, how influence is institutionalized, and how sovereignty is eroded in pursuit of hegemony.

This chapter advances one central claim: the impetus behind the BRI and the silk cage it is producing remains consistent with the logic of classical geopolitics—namely, China's pursuit of advantage across Eurasia and the Indian Ocean.[2] The Chinese Communist Party has demonstrated an astute affinity for classical geopolitical thought and related strategies.

This is reflected in the infrastructure projects, which "… masquerade under the guise of development assistance but in reality are used to better push [China's] appetite…" for control and hegemony.[3] In fact, this dynamic is reflected in infrastructure projects that masquerade as development assistance but, in practice, expand China's leverage and strategic depth.

Nowhere is the terrestrial–maritime fusion of this strategy more visible than CPEC, the "flagship corridor" linking Kashgar, in western China, and the high Himalayas to Pakistan's Gwadar on the Arabian Sea and wider Indian Ocean (see map). CPEC's connective power for China is undergirded by both a terrestrial and a maritime strategy. First, it reflects British geographer Halford Mackinder's logic of Eurasian positioning by pursuing "Heartland" control not through conquest, but through connectivity, technology, and managed dependence.[4] Second, it advances American naval strategist, Alfred Thayer Mahan's logic of sea power, where control of maritime approaches, logistics access, and strongpoints shapes outcomes across the Indian Ocean system.

The chapter proceeds as follows. Section one lays out what control means in contemporary classical geopolitics: how the high ground and the heartland are translated into leverage without conquest, and relatedly how the logic of Eurasia's "Rimland," as theorized by Dutch-American political scientist, Nicholas Spykman, explains why India experiences the silk cage as both continental pressure and maritime vulnerability. Section two presents Gwadar as a case study to demonstrate its role as a supporting node in Beijing's broader Eurasian strategy, where leverage is accumulated through access, infrastructure, and strategic optionality—even when cargo volumes over the past decade make the case for a port less than convincing. The final section offers accumulated evidence of Gwadar enhancing China's operational and strategic reach in both terrestrial and maritime Eurasia, even as it is fostered under the guise of development and commercial infrastructure, and explains why this development and the wider CPEC project are existentially threatening to India and wider Eurasia.

Geopolitics and Gwadar's place

The "flagship corridor" connecting China to the western Indian Ocean has three facets. The first is Mackinderian. Mackinder theorized that control of terrestrial Eurasia's "Heartland" by a country would give it the resources and territorial control required to eventually contest political supremacy of not just the "World-Island" of Africa and Eurasia, but the world itself—summarized in the maxim:

> Who rules East Europe commands the Heartland;
> Who rules the heartland commands the World-island;
> Who rules the World-island commands the World.[5]

In essence, the resource accrual—think a Eurasian Napoleonic France at the height of its power—would give the country the capacity to construct a fleet and maintain a military that would overcome any obstacles in its way.

In the twenty-first century, however, heartland "control" rarely looks like military conquest or imperial domination. It is more often pursued as control by other means, which China enables through connectivity, technology, and security dependence. Geography remains critical, and control of the high ground still matters. The Himalayas, in this sense, are not merely difficult terrain but a strategic asset: control of the high Himalayas provides the literal "high ground" that opens the door to Central and South Asia, particularly India, and can "tip the scales of power distributions" in Beijing's favor.[6]

CPEC is the most concentrated expression of this Mackinderian logic. It runs through the western Himalayas and adjacent ranges, seeking to link China's western Xinjiang province with Gwadar via a network of highways, railways, and pipelines. Strategically, the corridor's geography matters because it avoids the contested political spaces of Afghanistan in favor of Pakistan, while providing China with a direct route to the Indian Ocean and strengthening Beijing's ties with Islamabad—China's crucial ally in South Asia and India's arch-rival.

The second facet is Spykmanian, and it is essential for explaining why India experiences the silk cage simultaneously as continental pressure and maritime vulnerability. Spykman showed the other side of the "Eurasian hegemon" coin by highlighting the strategic importance of Eurasian littoral states like India and Japan, as well as offshore balancers like the United States in countering the hegemonic ambitions of a Eurasian continental power in what became known as his rimland theory. In fact, Spykman's central insight was that a potential Eurasian hegemon could emerge from the rimland's strategic focal points:

> Who controls the Rimland rules Eurasia; who rules Eurasia controls the destinies of the world.[7]

India is not simply a continental rival to China, but a pivotal rimland anchor whose strategic position affects whether a Eurasian hegemon can consolidate advantage. It also explains why India's threat perceptions consistently fuse continental and maritime dimensions: CPEC is a dual challenge that "traverses India's territory" while Gwadar extends China's strategic presence into India's western maritime neighborhood, linking continental pressure with maritime vulnerability.

The third facet brings in the maritime dimension and Mahan's theory of sea power—but it can be stated most clearly through a Mackinderian sequence. In Mackinder's reading, the spaces within inner Eurasia were so vast, and their potentialities so great that a major power could generate a self-sufficient continental economy, separate from and not reliant on the maritime world.[8] The strategic implication followed directly. "The oversetting of the balance of power in favour of the pivot state, resulting in its expansion over the marginal lands of Euro-Asia, would," Mackinder argued, "permit of the use of vast continental resources for fleet-building, and the empire of the world would then be in sight."[9] In other words, terrestrial consolidation was not an alternative to sea power; it was the material foundation that could finance, supply, and sustain it.

This is where Mahan's mechanism becomes analytically complementary. Maritime primacy is not simply a function of possessing ships; it is built through the capacity to sustain fleets and commerce over distance and time—for example, through naval strength, merchant shipping, and, critically, the nodes and logistics systems that enable persistent presence and influence along major sea lanes.[10] This interaction of fleet capability with commercial throughput, maritime communications, and access arrangements allows forces to remain effective far from home waters.

Mahan repeatedly used the French Revolutionary and Napoleonic Wars to demonstrate that maritime advantage is a system of endurance: secure lines of communication, dependable bases of supply, and the logistical capacity to keep fleets on station long enough to constrain an adversary's choices.[11] The point is not to force a one-to-one analogy, but to specify the land–sea sequence at the heart of China's strategy: the deeper Beijing's ability to consolidate influence across inner Eurasia, the greater the resource base and strategic depth it can mobilize—and the more meaningful an Indian Ocean outlet like Gwadar becomes for sustaining presence, projecting force, and shaping trade and energy routes.

For this, China's Global Security Initiative (GSI) provides the doctrinal and policy language through which this land–sea sequence is operationalized. The GSI prizes regime stability, opposition to external interference, and the protection of infrastructure and development corridors. But Beijing's disapproval of external state involvement in the domestic affairs of others only goes so far. In the case of CPEC as well as in BRI and SCO contexts, among others, this translates into deeper Chinese involvement in a host state's security environment: security cooperation, intelligence coordination, counterterrorism engagement, and protection of Chinese personnel and assets are institutionalized alongside investment. Gwadar illustrates how the logic of security and corridors, paired together, can provide access and operational spaces to exploit even when commercial viability remains limited. In effect, the GSI reframes CPEC from a connectivity project into a protected strategic system, legitimizing the security aspects of corridors and routinizing Chinese participation in partner-state security decisions.

Gwadar: Commercial Underperformance, Strategic Importance

Gwadar is an instructive case precisely because it is strategically salient yet commercially underwhelming. The port's foundation stone was laid by Chinese vice-premier Wu Bangguo in March 2002, and it was initially inaugurated by Pakistani President Pervez Musharaf in 2007. The port was incorporated under CPEC in November 2016, though control had already been transferred to the China Overseas Port Holding Company (COPHC) in 2013.[12] Financing for the port is commonly described as a mix of Chinese state-to-state concessional lending and multilateral channels, including the Asian Infrastructure Investment Bank (AIIB), alongside other Chinese-backed funding mechanisms.[13] This has attracted scrutiny both inside and outside Pakistan, as have the commercial terms. Under widely cited revenue-sharing arrangements, COPHC receives most revenues generated by port and terminal operations and a large share of free-zone revenues. Even where official expectations anticipate substantial annual cargo volumes over time, these terms have contributed to perceptions within Pakistan that the principal benefits may accrue to China. Related concerns about debt sustainability and "debt-trap" dynamics have become part of the domestic debate, often informed by comparisons to Sri Lanka's experience with Hambantota and associated infrastructure projects.[14]

China's COPHC received a 40-year lease from the Pakistani government in 2017, just after Gwadar became operational in 2016. Utilization of the port and related infrastructure, however, remains severely limited and is still used largely for local artisanal fishing, as it has been for millennia.[15] Built in phases, Gwadar's Phase I infrastructure includes three multipurpose berths (about 602m of quay wall) and a Ro-Ro facility. Technical descriptions commonly cite the ability to handle bulk carriers of approximately 50,000 DWT (often linked to approximately 12.5m draught/channel constraints), even as actual annual cargo volumes remain very low in practice.[16]

Pakistan's pursuit of a viable deep-sea port at Gwadar dates to the 1960s and has been repeatedly justified by both capacity limits at existing ports and concerns about strategic depth. First, Pakistan's legacy ports face tightening physical and operational constraints. Karachi is constrained by urban encroachment and Port Qasim is disadvantaged by its upstream location and higher turnaround times. Gwadar is only 107 miles (172 km) from Chabahar across the border with Iran, itself a new port partly funded by India. Second, gaining strategic depth along the Makran Coast, farther away from India, has always been a goal of Pakistan's military and political elite.[17]

Despite its underperformance commercially, Gwadar retains strategic relevance given its location, its dual-use potential, and the depth of Sino–Pakistani ties. Pakistan, for example, maintains a naval presence at Gwadar through PNS Akram, which functions as a forward operating and surveillance base and hosts the headquarters of the Navy's Western Command.[18] Reporting confirms episodic port calls and escorts by Pakistan Navy vessels at Gwadar, but does not provide a reliable, current roster of ships permanently homeported there. Beyond this, Gwadar's infrastructure can support very large vessels of China's People's Liberation Army Navy (PLAN), including amphibious assault ships and aircraft carriers. However, China does not yet have unmitigated access to the port due to important constraints. According to Vázquez, wartime use is uncertain because host-state permissions may be withheld to avoid belligerent status, and the operational value of such ports is often greater in peacetime—logistics familiarity, replenishment potential, and sustained presence—than in high-end combat support.[19] Gwadar is thus a strategic option for China, not yet a Chinese overseas naval base.

Gwadar and the Limits of Corridor Determinism

Despite its perhaps exaggerated promise, Gwadar remains a prisoner of its geography. Overland connectivity narratives promoted by Beijing and Islamabad—especially those presenting Gwadar as a stable gateway to China, Central Asia and beyond—remain structurally contingent on transit viability and the security–political conditions of the wider region.[20] This is the "illogic" embedded in many corridor stories: the strategic promise of connectivity is real, but its realization is persistently hostage to internal security dynamics and regional volatility.[21] These frictions are not abstract. Long before CPEC, Gwadar's development was already entangled with Baloch nationalist grievance and violence, including attacks that directly targeted Chinese personnel associated with the project.[22] The port's political economy—especially fears that benefits will bypass local communities—has therefore remained inseparable from insecurity and opposition on the ground. Nonetheless, these concerns have been alternately quashed or ignored by Islamabad and Beijing. As a result, Gwadar's most durable effects are likely to be geopolitical and security-related rather than commercial.

The concept of control by other means is an analytically useful term to understand this dynamic. Control does not necessarily entail outright territorial conquest, though it may. More broadly, it refers to the subordination of one political entity by another such that the weaker party's capacity to exercise sovereignty is materially constrained. Technological change has expanded the means through which such control can be exercised in ways classical geopolitical theorists did not fully anticipate. The provision of ICT infrastructure, coupled with long-term service and maintenance agreements, can generate asymmetric informational dependence. These dependencies enable the stronger actor to impose favorable conditions and shape trade terms, set standards, and/or institutionalize security arrangements that narrow the weaker party's autonomy.[23]

Applied to Gwadar, the central point is that what may be accumulated is not simply port activity, but structured dependence and strategic leverage for Beijing. This leverage takes the form of long-term operational control arrangements like the 40-year lease, corridor-linked service and maintenance ecosystems, and institutionalized security practices that entrench China's role even as the port remains commercially moribund. For Pakistan, this combination reorients its security posture toward corridor protection and regime security, as safeguarding Chinese personnel and assets becomes a standing requirement rather than a contingent task. Thus, Islamabad's strategic autonomy is not eliminated, but it narrows as Pakistan's (over)reliance on Chinese capital, technology, and political support raises the political and operational costs of policy divergence.

Conclusion

Gwadar's strategic meaning is best captured by the classical geopolitical sequence developed earlier in this article. According to Mackinder, control of the heartland by other means does not substitute for sea power, rather it underwrites it by generating resources, strategic depth, and leverage across Eurasia that can later be converted into sustained maritime capability. For Spykman, this heartland leverage becomes strategically consequential only insofar as it can be translated into influence along the rimland and its maritime approaches. Indeed, Spykman saw Eurasian hegemony as likely to emanate *from* the rimland.[24]

It comes as little surprise, then, that Gwadar is experienced as an existential challenge by India. India is a pivotal rimland state—the fulcrum around which security and power distributions in the wider Indian Ocean region swing. Gwadar's strategic significance lies in how it links Chinese continental resources with Indian Ocean access and sustained presence. From a broader Eurasian perspective, the concern is not that Gwadar alone is consequential, but that it forms part of an integrated Chinese architecture of control by other means across the heartland and rimland of the World-Island.

The gap between Gwadar's commercial promise and its underperformance is therefore the core feature to be explained. For Beijing, Gwadar's value lies in its function as a maritime access node that also binds Pakistan more closely to China. It deepens and normalizes Chinese access and influence in South Asia and the Indian Ocean while preserving the option of basing and power projection. Even absent a declared overseas base, the accumulation of operational familiarity, routine access, and corridor-linked security governance can expand China's options in the western Indian Ocean and lower the frictions of sustained presence.

For India and like-minded Indo-Pacific partners too, the policy implication is to treat Gwadar less as a single facility to be "solved" and more as a node within China's wider silk cage architecture. India should prioritize persistent maritime domain awareness around the Makran coast and western Indian Ocean approaches, deepen coordination and cooperation with key Indo-Pacific partners, and invest in measures that reduce the coercive value of any single port node. Chabahar offers a partial counterweight, despite current constraints in Iran. India's naval build-up must also continue. The Indian Navy is now a resident power in the Indian Ocean alongside the US Navy. Recent successes thwarting piracy and joint naval exercises with Indo-Pacific partners, such as the annual Malabar exercise, clearly demonstrate India's maritime capabilities and signal resolve to Beijing and Islamabad. Nevertheless, sustained engagement by Delhi that links both the western and eastern Indian Oceans—from Mombasa to Malacca—remains desirable so as to dilute the dual-use potential of Gwadar for China and Pakistan. The strategic choice is therefore clear: by pairing India's naval build-up with sustained western–eastern Indian Ocean engagement and coordinated Indo-Pacific signaling, Delhi can keep Gwadar's dual-use utility constrained and operationally marginal, ensuring that deterrence, not encirclement, defines the regional balance.

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Caution at the Crossroads: China's Approach to Taliban-Ruled Afghanistan and the Limits of Corridor Expansion

Aadil Brar

Introduction

The collapse of the United States-backed Islamic Republic and the Taliban's return to power in August 2021 reshaped the geopolitical landscape around Afghanistan. For China, the American withdrawal removed a longstanding strategic irritant on its western periphery but also produced a vacuum in which instability, jihadist networks, and economic collapse could spill into Xinjiang, Pakistan, and Central Asia. Beijing's core interests in Afghanistan are threefold: preventing the country from becoming a haven for anti-Chinese militant groups linked to Uyghur causes; preserving Afghanistan's potential as a transit node within wider Belt and Road connectivity; and positioning Chinese firms for long-term opportunities in copper, iron ore, rare earths, and possible lithium development.[1]

Yet China is acutely aware of Afghanistan's reputation as a graveyard for external powers and of the difficulty both the Soviet Union and the United States faced in converting military and financial power into sustainable political influence. Its post-2021 engagement has therefore been pragmatic, selective, and heavily mediated through Pakistan rather than a sweeping attempt to replace the West. The most useful way to understand Beijing's approach is not as strategic conversion but as incremental positioning: preserving influence, access, and optionality while minimizing overexposure.

China's Eurasian Connectivity Vision and Afghanistan

Even before the Taliban's return, Chinese planners had begun to describe Afghanistan as a missing link in the overland map connecting Xinjiang to Central and South Asia. The China-Pakistan Economic Corridor (CPEC) provided the backbone, while the China-Afghanistan-Pakistan trilateral dialogue increasingly framed Afghanistan as a future regional connectivity hub. Joint statements called for extending CPEC into Afghan territory through roads, logistics, and related infrastructure, while Pakistan repeatedly assured Beijing that economic integration could help temper Afghan instability.[2]

At the same time, China experimented with lower-cost integration measures. It expanded imports of Afghan pine nuts, granted broad tariff concessions to Afghan goods, and publicized trade facilitation as evidence that, unlike Western powers, Beijing was prepared to treat Afghanistan as an economic partner as well as a security problem. These initiatives were modest in scale, but they kept alive a narrative in which Afghanistan was potentially connectable rather than permanently marginal.

The Taliban takeover did not alter this logic so much as intensify it. Kabul embraced Belt and Road rhetoric and called for CPEC's extension into Afghanistan, while Chinese and Pakistani officials echoed language about hard connectivity in infrastructure and soft connectivity in customs and standards.[3]

Yet geography and politics remain forbidding. Any overland route linking Xinjiang, Pakistan, and Afghanistan must pass through difficult terrain and politically contested spaces, including Pakistan-occupied Kashmir and insurgency-hit Balochistan. From India's perspective, Chinese-backed connectivity through these areas carries strategic and sovereignty costs, making much of the corridor rhetoric appear more aspirational than imminent.[4]

This restraint is deliberate and rooted in a wider reading of China's interests. Beijing judges that Afghanistan matters, but not enough to justify unlimited commitments, given that it is already managing slowing domestic growth, demographic pressures, fiscal strains, and a more contested international environment.

At the same time, it offers enough engagement to preserve diplomatic relevance, to test commercial openings, and to maintain a say in regional security discussions, but it leaves room to step back if costs spike or partners falter. In practice, this means that Beijing prefers modular, reversible commitments to sweeping, symbolic pledges that could harden into obligations. Small trade schemes, exploratory contracts, and carefully framed diplomatic initiatives can be expanded if conditions improve or quietly scaled down if they do not.

That approach also reflects a sober assessment of what China can plausibly achieve. Afghan politics remain fragmented, Taliban governance capacity is limited, and the surrounding region is marked by rivalry among Pakistan, India, Iran, Russia, and Western actors. No external power can simply engineer stability on demand. By avoiding grand promises, China hopes to avoid being cast as the next patron expected to solve Afghanistan's problems or bankroll its reconstruction.

Instead, it presents itself as one important partner among several, focused on specific projects and narrow security concerns. Critics argue that this limits Beijing's ability to shape outcomes, but the Chinese calculation is that influence gained through restraint may prove more durable than influence bought at great cost. If other actors remain unwilling or unable to offer Afghanistan a comprehensive economic vision, even a cautious China will still loom large.

Conversely, if conditions deteriorate, a light but carefully structured footprint makes it easier for Beijing to protect its own citizens and assets, recalibrate its ambitions, and redirect resources to priorities closer to home.

In this sense, Afghanistan functions as a reminder that for China, as for other powers, strategy is as much about what not to do as about what to pursue. This restraint is deliberate and rooted in a wider reading of China's interests. Beijing judges that Afghanistan matters, but not enough to justify unlimited commitments, given that it is already managing slowing domestic growth, demographic pressures, fiscal strains, and a more contested international environment.

At the same time, China's leaders are acutely aware that Belt and Road projects from South Asia to Africa have generated political and financial pushback, making them more cautious about underwriting large, open-ended ventures in fragile states. A cautious Afghan policy, therefore, fits within the hierarchy of Chinese priorities.

Diplomatic and Political Engagement with the Taliban

In the immediate aftermath of August 2021, China adopted a wait-and-see posture. Its embassy in Kabul remained open, but diplomacy was initially conducted through a chargé d'affaires, and Beijing publicly tied recognition of the new regime to the Taliban's performance in counter-terrorism and governance. From 2023 onward, however, China moved toward normalization without paying the full political costs of formal recognition. In September 2023, it appointed a new ambassador to Kabul, becoming the first country to do so after the Taliban takeover. In December, it accepted the credentials of a Taliban-appointed ambassador in Beijing.[5]

Chinese officials described these as normal diplomatic arrangements, but together they amounted to de facto recognition. For the Taliban, the ambassadorial exchange provided a powerful symbol of international acceptance. For Beijing, it created a stable, high-level channel for managing security concerns, regional diplomacy, and commercial interests, while retaining formal ambiguity over recognition.[6]

China also moved to include the Taliban in selected regional and multilateral forums on its own terms. Taliban representatives attended meetings of Afghanistan's neighbors and the third Belt and Road Forum in Beijing in October 2023. This calibrated inclusion allowed China to present itself as a pragmatic problem-solver willing to engage where Western actors hesitated, while reinforcing the narrative that Afghanistan should be integrated into regional diplomacy rather than isolated from it.[7]

Economic Engagement: Energy, Minerals, and Trade

China's most visible post-2021 commercial move in Afghanistan was the January 2023 contract with Xinjiang Central Asia Petroleum and Gas Co. to develop the Amu Darya oil basin in northern Afghanistan.[8] The 25-year agreement envisaged substantial investment and supporting infrastructure.[9] For Beijing, the contract mattered as much for signaling as for supply: it demonstrated that Chinese firms were willing to operate under Taliban rule even as most foreign investors remained hesitant. For the Taliban, it suggested that Afghanistan could still attract serious outside capital despite sanctions and diplomatic isolation.[10]

Progress, however, has been slow. Security risks, weak regulation, unresolved profit-sharing questions, and Afghanistan's institutional fragility constrain implementation. These obstacles also shape China's broader approach to Afghanistan's mineral sector. Outside analysts have noted the appeal of Afghan copper, rare earths, and lithium to China's long-term resource security strategy, but they have also stressed that investment remains a long shot under current conditions.[11]

Beyond extractives, Beijing has extended trade concessions intended to provide Afghanistan with at least limited access to the Chinese market. Imports such as pine nuts have been heavily publicized as small win-win stories for Afghan producers and Chinese consumers. Politically, these flows allow China to sustain the claim that Afghanistan's path to stability runs through integration into Chinese-led trade and infrastructure networks, even while flagship projects remain tentative and reversible.

Security Calculus: Xinjiang, Khunjerab, and Perimeter Defense

China's engagement with the Taliban is driven as much by security fears as by economic opportunity. Beijing has consistently insisted that Afghan territory must not be used by groups targeting China, especially Uyghur militants operating under labels such as ETIM or TIP. It has linked deeper cooperation and any future recognition to Taliban performance on counter-terrorism while watching closely whether Taliban promises translate into sustained constraints on cross-border militancy.[12]

At the same time, Beijing has concentrated its security posture on the edges of Afghanistan rather than deep inside the country. The Khunjerab Pass, linking Xinjiang with Pakistan's Karakoram Highway, has become a critical node where corridor infrastructure and surveillance intersect. New air links from Taxkorgan, upgraded transport facilities, and broader discussion of smart-border defenses all suggest that China's preferred model is perimeter defense: facilitating commerce while building early-warning and rapid-response capacity against spillover threats.[13]

This border-focused approach reflects a broader logic. China wants Taliban cooperation but does not want to bear the burden of stabilizing Afghanistan. The result is a strategy that prizes insulation over intervention and hardened corridors over expansive presence.

For Afghanistan, Chinese engagement offers modest lifelines in trade, selective investment, and diplomatic access, but it falls far short of a comprehensive reconstruction agenda. At the regional level, it adds another layer to an already complex strategic environment, shaped by Pakistan's fragility, India-China rivalry, Central Asian anxieties, and Western disengagement. Looking ahead, China's role will hinge on Taliban performance against militant threats, Pakistan's internal stability, and Beijing's own assessment of the returns to deeper involvement.

For Chinese planners, this emphasis on managing exposure at the frontier reflects broader debates about how far to stretch limited security resources along Belt and Road routes without creating new liabilities. Afghanistan thus joins a wider set of fragile environments where Beijing wants influence and access but remains wary.

Regional Responses and Strategic Implications

Pakistan remains central to China's Afghan strategy. Islamabad has long championed the idea of Afghanistan as an extension of CPEC and worked closely with Beijing to align diplomatic messaging and security policy. Yet Pakistan's own fragility limits its reliability. Economic crisis, political turmoil, and rising TTP violence have made Pakistan less of a dependable broker than a potential liability. By 2025, analysts were already describing China as increasingly uneasy with the direction of Pakistan-Afghanistan tensions.[14]

The deterioration deepened after Pakistan's 2023 deportation campaign against undocumented Afghans. The expulsions triggered Taliban backlash and international criticism, while adding a humanitarian crisis to an already poisoned bilateral relationship. For Beijing, the episode revealed the limits of Pakistani leverage and underlined that any strategy built on a Pakistan-Afghanistan condominium underwritten by China rests on fragile foundations.[15]

The escalation of cross-border fighting in 2025 and early 2026 pushed China into the role of reluctant crisis manager. China hosted talks in Urumqi in late March and early April 2026 that focused on de-escalation, ceasefire efforts, and reopening the border. *Reuters* reported that Pakistan and Afghanistan agreed to avoid further escalation and to explore a comprehensive solution, even as China continued to publicly support deeper trilateral engagement and an eventual extension of CPEC into Afghanistan.[16]

Yet the limits of Chinese crisis diplomacy are as telling as its ambitions. Beijing is neither willing nor able to resolve the structural drivers of Pakistan-Afghanistan friction, including the contested border, the TTP sanctuary problem, and the mismatch between Pakistan's expectations and the Taliban's ideological affinities. Instead, China is trying to cap escalation, protect its workers and projects, and keep alive a regional connectivity vision that remains more fragile than official rhetoric implies.

India, meanwhile, has maintained a skeptical stance toward Chinese activism in Afghanistan. New Delhi opposes CPEC because it runs through Pakistan-occupied Kashmir and views deeper China-Taliban-Pakistan coordination as potentially reinforcing a hostile alignment across India's northern and western frontiers. Pakistan's parallel accusations that India backs militant networks operating through Afghanistan and Balochistan only deepen the insecurity surrounding Chinese projects and personnel.[17]

Western states have offered humanitarian aid and limited engagement on counter-terrorism and women's rights, but have not proposed any alternative integration vision that could rival Belt and Road rhetoric, even on paper. The result is a crowded but not yet fully competitive landscape in which China is the most assertive major power engaging the Taliban, yet still conspicuously hedged in practice.

Unless those variables shift dramatically, Afghanistan is likely to remain, for China, less a central pillar of the Belt and Road than a testing ground for cautious engagement amid enduring uncertainty. For now, Beijing appears committed to strategic patience: locking in option-value positions in resources and connectivity, expanding its security footprint along vital corridors, and normalizing engagement with the Taliban while avoiding high sunk costs or formal recognition.

Conclusion: Incrementalism over Transformation

China's role in Taliban-ruled Afghanistan since 2021 is best understood as a project of incremental positioning rather than sweeping transformation. Beijing has gone further than most major powers in normalizing relations with the Taliban, securing headline-grabbing oil contracts, and keeping open the possibility of future mining and connectivity expansion. Yet implementation remains slow, conditional, and reversible. China is present, but carefully so.

At the same time, Beijing has invested heavily in securing the frontier spaces connecting Xinjiang, Pakistan, and Afghanistan through smart-border initiatives, new air links, and tighter coordination along critical corridors. These measures suggest that China's primary concern is to insulate itself from instability while preserving the option of deeper economic involvement if conditions improve.

Endnotes

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Annexure

Annexure

CPEC Phase I and II Comparison

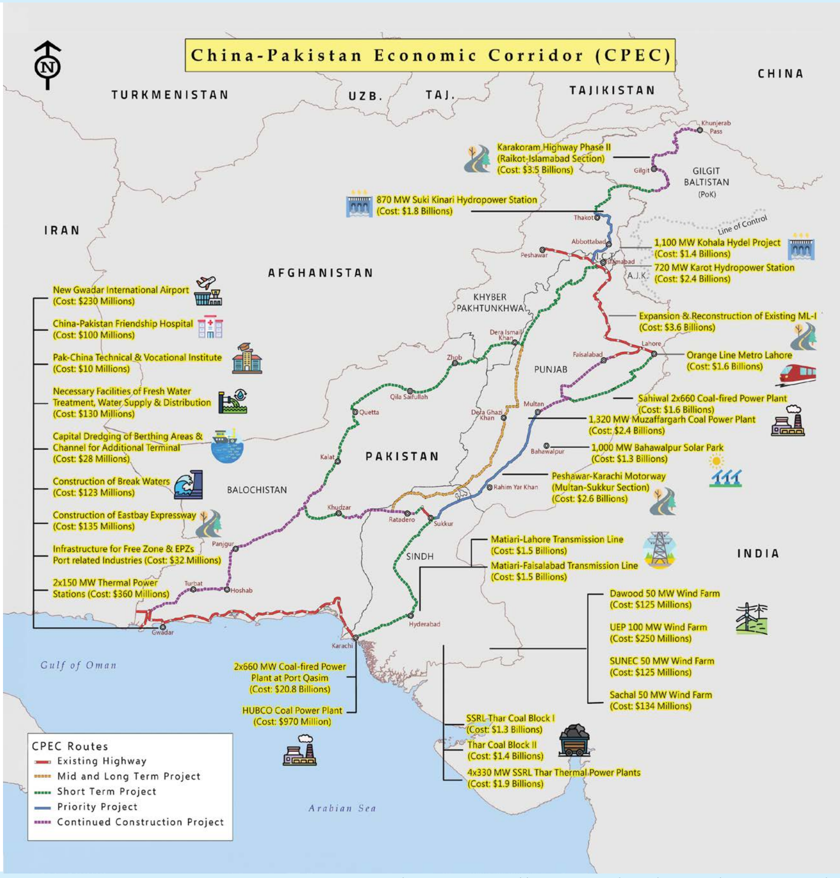
Envisioned in 2013, and launched in 2015, the China-Pakistan Economic Corridor is an approximately 3,000 km strategic link connecting Xinjiang to the Arabian Sea via Gwadar Port. As a flagship of China's Belt and Road Initiative (BRI), it includes infrastructure, energy, and transport projects and aims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



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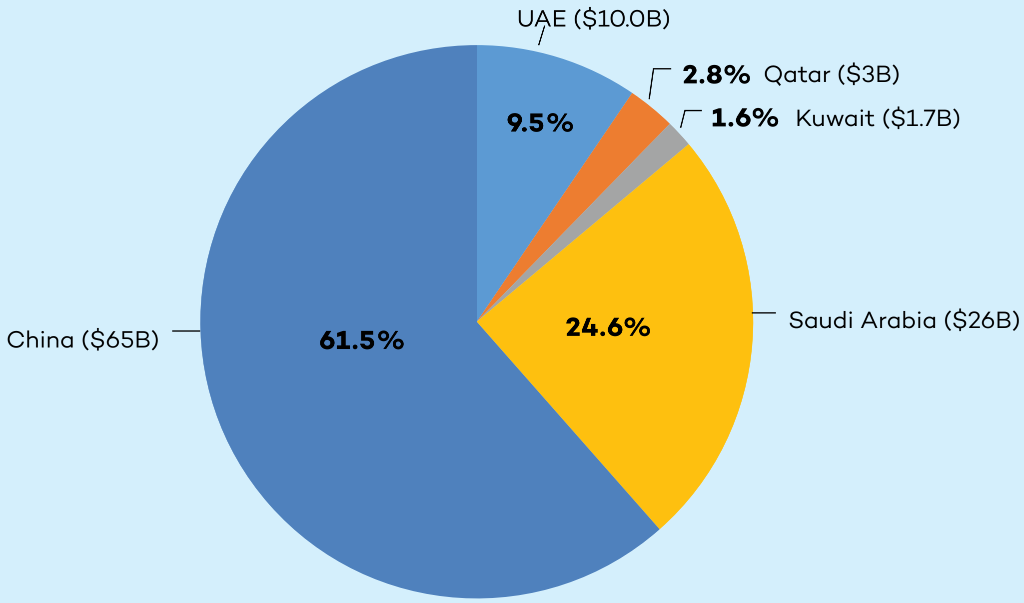
Quick Comparison: Phase I vs Phase II

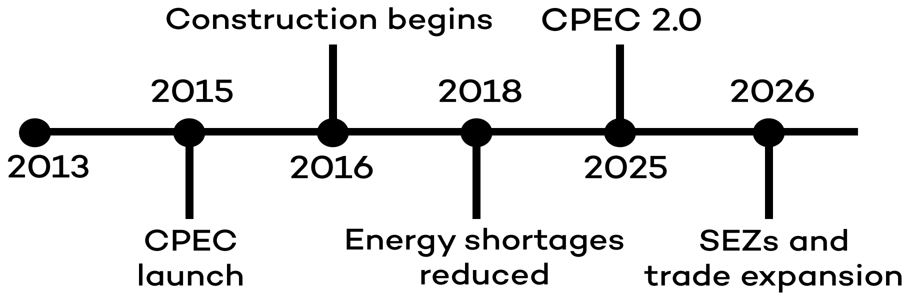
Feature	Phase I	Phase II
Timeframe	2013–2022	2022-present
Focus	Infrastructure & energy	Industrialization & innovation
Investment	~$25–27B realized	~$35B planned + new deals
Key Output	Power plants, roads, Gwadar	SEZs, tech, agriculture
Model	Government-led	Private-sector driven
Goal	Remove bottlenecks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

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



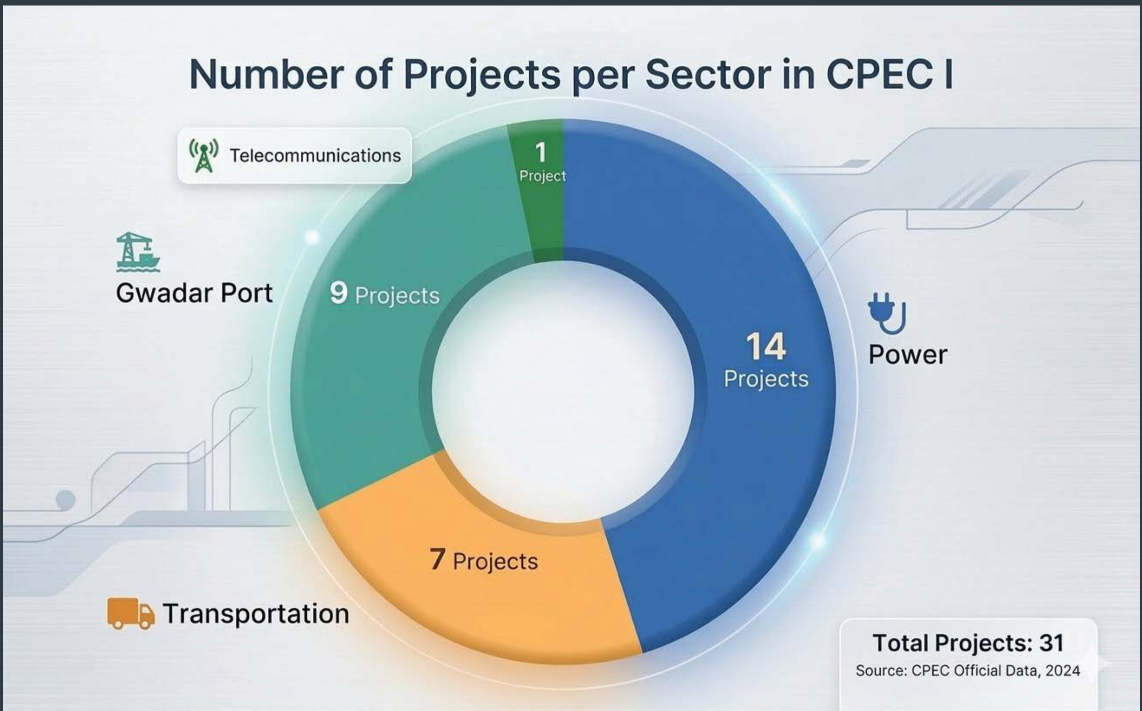
CPEC Timeline



CPEC PHASE I (2013–2020/22)

KEY SECTORS

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



Financials

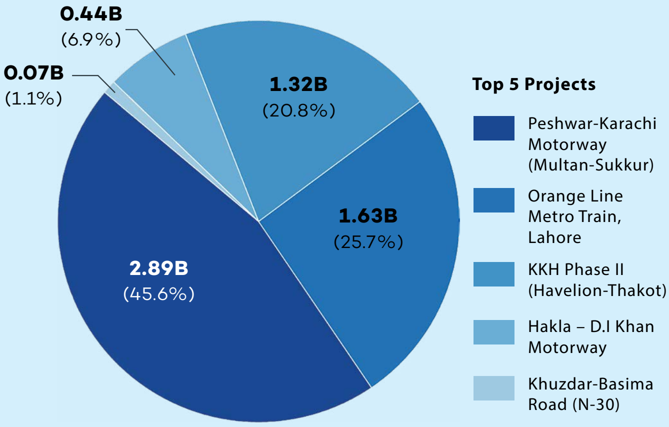
- Total planned investment: ~$46–53 billion
- Realized/committed investments:
  o ~$25–27 billion materialized
- Energy-heavy financing (majority via loans and IPP models)

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

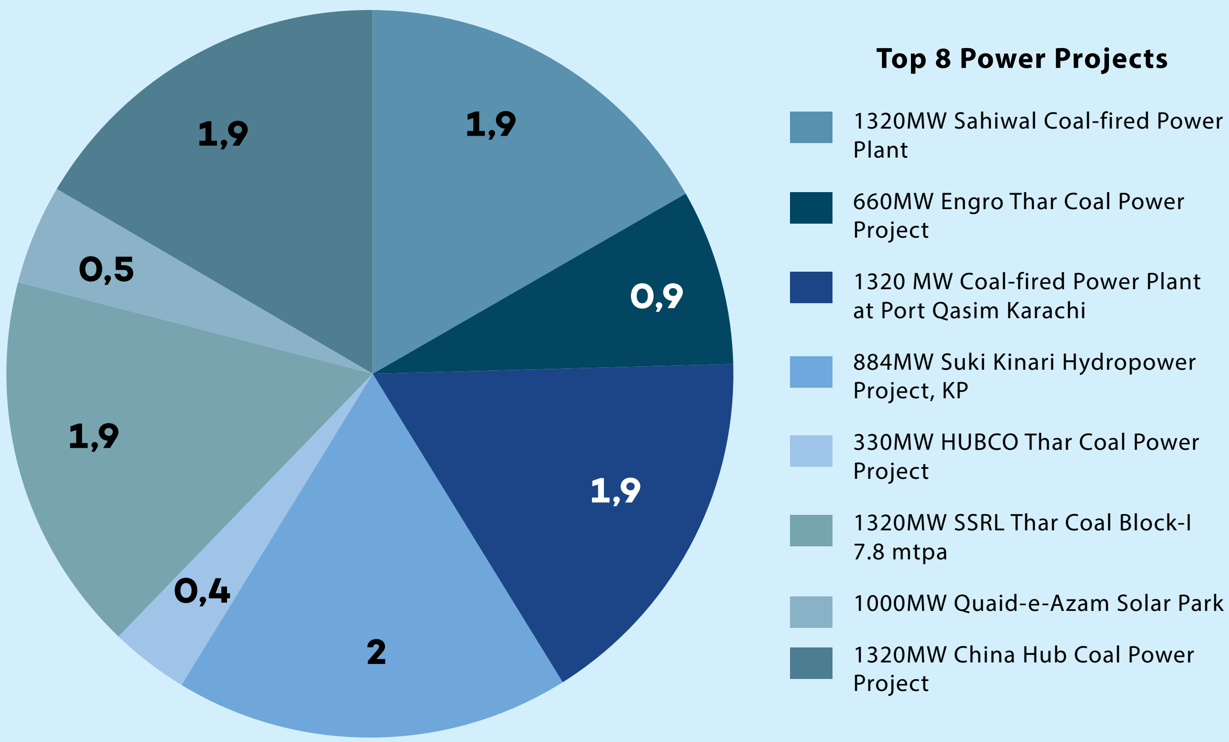
Main Transportation projects costs in USD $ Billion in CPEC I'

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)

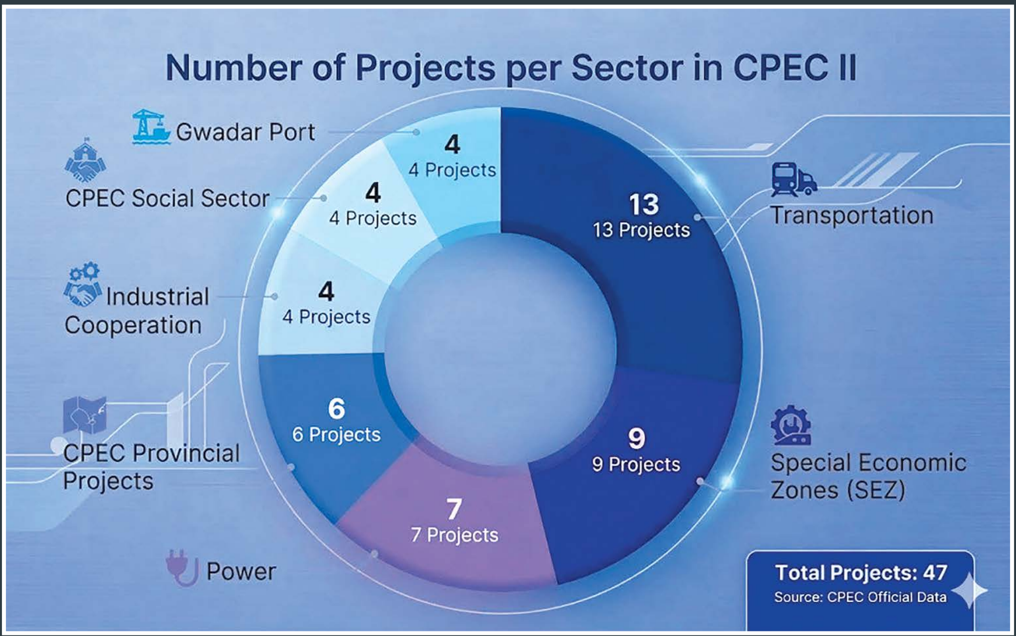
Financing Structure

- 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.

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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

Institute for Security and Development Policy
Västra Finnbodavägen 2, 131 30 Stockholm-Nacka, Sweden
Tel. +46-841056953; Fax. +46-86403370
Email: info@isdp.eu