


RESEARCH ARTICLE

The China-Pakistan Economic Corridor: the Politics of Development

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Abstract

This article critically assesses the China-Pakistan Economic Corridor (CPEC), once seen as a flagship of China's Belt and Road Initiative (BRI), and its failure to deliver on its ambitious promises in Pakistan. Instead of driving economic growth and cohesion, the CPEC exposed deep governance challenges – marked by institutional fragility, lack of elite consensus, and military dominance in policymaking. Strategic and security imperatives often outweighed economic rationale, resulting in a non-transparent process that sidelined parliament and marginalized provincial actors. Projects were selected based on political expediency rather than viability, leading to inefficiencies and delays. The CPEC also re-centralized power, weakening provincial autonomy and intensifying center-periphery tensions, particularly in Balochistan. In Gwadar, local communities saw disruption without benefit, fueling political discontent. Investor confidence waned amid an uneven playing field and the failure of Special Economic Zones to take shape. Far from transformative, the CPEC reinforced narrow elite interests, worsened federal strains, and deepened Pakistan's economic and institutional uncertainties.

Keywords: CPEC; elites; military; provinces; transparency

Introduction

The Belt and Road Initiative (BRI) and the China-Pakistan Economic Corridor (CPEC) have been widely studied through the lenses of security, regional geopolitics, and diplomacy.¹ The CPEC, in particular, has been promoted as a transformative project capable of serving as the foundation for Pakistan's economic take-off and industrialization. This narrative has been championed not only by the leadership of the Muslim League, which forged agreements with Beijing, but also echoed by

¹ Daniel S. Markey, *China's Western Horizon: Beijing and the New Geopolitics of Eurasia* (New York: Oxford University Press, 2020); Andrew Small, *The China Pakistan Axis: Asia's New Geo Politics* (Gurgaon: Vintage, 2015).

polymakers and the military.² There is now a growing body of literature that is more nuanced in its engagement with the CPEC. For instance, Boni and Adeney have scrutinized how the CPEC affects the operation of federalism and nullifies the devolution that came with the 18th Amendment, Safdar examined non-elite interaction and broadening engagement with a variety of stakeholders, and Karrar examined the impact of geopolitics on the securitization of everyday life.³ It is evident that, after a decade, the actual circumstances differ significantly from the stated narratives, and the outcomes are, at best, relatively modest. This article employs the CPEC as a focal point to examine the intricate interplay between politics and development, specifically how the politicization of policymaking has significantly impacted the implementation of the CPEC agenda.

The question, then, is what enables transformative initiatives like the CPEC to succeed. Rostowian theory emphasizes that elite consensus is critical to large-scale infrastructure success – a factor whose absence is evident in the CPEC's troubled trajectory. McCartney suggests transformative infrastructure can drive growth through sectoral spill overs, but elite consensus remains essential. While such projects may enhance industrialization, they also risk becoming costly white elephants.⁴ In Pakistan, achieving consensus is complicated by the hybrid regime and dominance of the military in China relations, which are shaped by neorealist security priorities.

Pakistan's political evolution from Musharraf's authoritarian rule to Shehbaz Sharif's government reflects a shift toward a hybrid regime – an illiberal tutelary democracy in which elections coexist with enduring military influence. These regimes exist in a political “gray zone,” where democratic freedoms vary depending on civil liberties, political competition, and military restrictions.⁵ The CPEC exemplifies this dynamic, as the military retains ultimate control over key decisions, especially in China relations. Elite consensus thus remains fluid, adapting to the regime's illiberal tendencies. Despite political changes, the military's tutelary role persists, selectively shaping elite participation to serve strategic interests.

Pakistan's elite cohesion is undermined by enduring colonial-era divisions. The postcolonial state's fragmented governance approaches reflect internal dissonance and weak institutional capacity, with regional variations at the district level further fracturing elite consensus. Structural differences among elites compound this

² A. R. Malik, (2018) “The China-Pakistan Economic Corridor (CPEC): A Game Changer for Pakistan's Economy,” in *China's Global Rebalancing and the New Silk Road*, ed. B. R. Deepak (Singapore: Springer, 2015), 69–88; Kiran Hassan, “CPEC: A Win-Win for China and Pakistan,” *Human Affairs* 30 (2019): 212–223.

³ Filippo Boni and Katharine Adeney, “The Impact of the China-Pakistan Economic Corridor on Pakistan's Federal System: The Politics of the CPEC,” *Asian Survey* 60, no. 3 (2020): 441–465; Muhammad Tayyab Safdar, *The Local Roots of Chinese: Engagement in Pakistan* (Washington, DC: Carnegie Endowment for International Peace, 2021); Hasan H. Karrar, “The Geopolitics of Infrastructure and Securitisation in a Postcolony Frontier Space,” *Antipode* 54, no. 5 (2022): 1386–1406.

⁴ Matthew McCartney, “The China-Pakistan Economic Corridor (CPEC): Considering Contemporary Pakistan through Old-Fashioned Economics and Historical Case Studies,” *The Lahore Journal of Economics* 23, no. 2 (2018): 19–48.

⁵ Katharine Adeney, “How to Understand Pakistan's Hybrid Regime: The Importance of a Multidimensional Continuum,” *Democratization* 24, no. 1 (2017): 119–137.

disunity.⁶ The country's political system remains rooted in its military-bureaucratic oligarchy, though its composition has evolved since independence. While landed elites once dominated both agriculture and state institutions, their economic control has waned even as they retain political influence. New actors – including the judiciary, rural middle class, and urban capitalists – have emerged as the bureaucracy's power has declined.⁷ Nevertheless, the military-bureaucratic core endures as the ultimate authority within Adeney's hybrid regime framework.

This fragmentation of governance is further reflected in the composition and behavior of Pakistan's major political parties. Pakistan's political elite comprise diverse national and regional parties, all retaining varying degrees of landed elite influence. The Pakistan People's Party (PPP) remains dominated by large landowners, while the Pakistan Muslim League (N) (PML-N) blends agrarian and industrial interests. The Pakistan Tehreek-e-Insaf (PTI) combines rural influence with urban middle-class backing, and subnational parties cater to specific ethnic, religious, and local constituencies.⁸ These parties operate primarily as patronage networks, distributing benefits to loyalists rather than developing policy-based platforms. Characterized by dynastic leadership and personality-driven structures, they sustain unity through rent-seeking rather than ideological cohesion. This fragmentation of elite interests impedes consensus-building and undermines prospects for coherent, sustainable development.⁹

Economic power in Pakistan is similarly fragmented, concentrated in family-owned conglomerates and industries closely intertwined with political networks.¹⁰ The military plays a crucial role in this ecosystem, maintaining vast economic enterprises that blur the boundaries between economic and political control.¹¹ This system transforms the state into both a regulator and a rent-distributing mechanism, where economic opportunities are allocated through strategic political connections rather than transparent, rule-based processes.

The CPEC highlights Pakistan's chronic lack of elite consensus. Though there is tutelary oversight of the project, deep divisions persist – between civilian and military leaders, and across political parties, ethnic groups, and business circles. These divisions have hollowed out the CPEC's original vision of national development, turning it instead into a vehicle for military consolidation. Decision-making remains opaque, privileging select interests over equitable growth while stifling reform. Even

⁶ Adnan Naseemullah, *Patchwork States: The Politics of State Transformation in Pakistan and India* (Cambridge: Cambridge University Press, 2022).

⁷ Aasim Sajjad Akhtar, "The Overdeveloped Alavian Legacy," in *New Perspectives on Pakistan's Political Economy*, eds. Matthew McCartney and S. Akbar Zaidi (Cambridge: Cambridge University Press, 2019); Muhammad Ali Jan, "The Segmented Rural Elite: Agrarian Transformation and Rural Politics in Pakistani Punjab," in *New Perspectives on Pakistan's Political Economy*, Matthew McCartney and S. Akbar Zaidi (Cambridge: Cambridge University Press, 2019).

⁸ On the PTI, see Ayesha Siddiqi, "Discovering Democracy: Five Years of Political Rule in Pakistan," *Economic and Political Weekly* 48, no. 17 (2013): 23–25.

⁹ Mariam Mufti, "Factionalism and Indiscipline in Pakistan's Party Political System," in *State and Nation-Building in Pakistan: Beyond Islam and Security*, eds. Roger D. Long, Yunas Samad, Gurharpal Singh, and Ian Talbot (London: Routledge, 2016).

¹⁰ A. M. Weiss, *Culture, Class and Development in Pakistan: The Emergence of an Industrial Bourgeoisie in Punjab* (Lahore: Vanguard Books, 1991); Rosita Armutage, "The Social Lives of the Elite: Friendship and Power in Pakistan," *The Asia Pacific Journal of Anthropology* 16, no. 5 (2015): 448–463.

¹¹ Ayesha Siddiqi-Agha, *Military Inc.: inside Pakistan's military economy* (London: Pluto Press, 2007).

elite negotiations unfold within military defined parameters, ensuring that fragmented governance persists, and long-term planning remains elusive.

This article examines the evolving narrative of the CPEC and Gwadar, analyzing how project designs have been interpreted and shaped by Pakistan's key policymaking actors, particularly the military establishment, national and regional political elites, and business interests. The article investigates the politicization of decision-making processes, the absence of elite consensus on long-term development priorities, and the resulting implementation challenges for both the CPEC's broader vision and individual projects. The study reveals how Pakistan's military imposes its vision for the CPEC, while political parties and business elites both resist and collaborate, maneuvering to extract benefits from the project. Rather than producing a unified elite consensus, this dynamic perpetuates a governance model in which critical decisions emerge through complex negotiations and expedient power-sharing arrangements, often at the expense of coherent developmental strategy. The article is based on primary research, including published data from various official sources and a series of elite interviews conducted in Islamabad and Lahore between 2018–2024. Those interviewed had direct involvement in the CPEC, particularly within the Planning Commission, Foreign Office, and various think tanks. The research is further supplemented by fieldwork in Gwadar, which included elite interviews, group discussions with locals, and a visit to Gilgit-Baltistan.

China-Pakistan relations and the CPEC

To better understand the CPEC's outcomes, it is essential to revisit the broader China-Pakistan strategic partnership and examine how its evolution shaped the project's development. The CPEC grew out of Musharraf's proposal to position Pakistan as a Trade and Energy Corridor (TEC), conceived as an alternative to the Turkmenistan-Afghanistan-Pakistan-India (TAPI) pipeline that would have transported Turkmen gas to India. Instead of the India-focused TAPI project, Musharraf's vision centered on China, aiming to transform the strategic partnership into concrete infrastructure development along the Karakoram Highway. China, however, maintained a reserved stance toward the ambitious proposal.¹²

However, Xi Jinping's focus on the BRI led to a shift in Chinese foreign policy that benefited Prime Minister Nawaz Sharif's government, especially as US foreign assistance to Pakistan declined. Importantly, this shift allowed Pakistan to postpone the structural reforms demanded by the IMF. While Central Asia was the BRI's primary focus, China encountered challenges in collaborating with new partners, bureaucratic hurdles, trust issues, and Russian security priorities. In this context, the CPEC served as a testing ground for the BRI program globally, with a partner with whom China already had a long-standing relationship. In order to demonstrate its capacity to execute large-scale infrastructure projects within agreed parameters and timelines, the Chinese authorities wanted to have the CPEC running as quick as possible and showcase its modernization strategy to hesitant governments, primarily in Central and Southeast Asia but ultimately to the world.¹³

¹² Fazal-ur-Rahman, "Prospects of Pakistan Becoming a Trade And Energy Corridor For China," *Strategic Studies* 27, no. 2 (2007): 52–89.

¹³ Amb (Retd) Iqbal Ahmad Khan, interview with author, 13 March 2018; Hassan Butt (CPEC Coordinator, Ministry of Planning, Government of Pakistan), interview with author, 21 March 2018.

The CPEC follows a “1+4” framework, with the CPEC at its core, supported by Gwadar Port, energy, transport, and industrial cooperation, progressing in three phases. The first phase addresses Pakistan’s infrastructure gaps in power and transport, alongside Gwadar’s development. The second phase establishes Special Economic Zones to boost industry, while the third envisions China shifting to high-value manufacturing and offshoring labor-intensive production to Pakistan.¹⁴

At the highest levels in Islamabad, there exists a notable ambiguity regarding the precise definition of the CPEC and the scale of its investments. This lack of clarity becomes particularly significant when analyzing the slowdown of the CPEC during its second phase. Several major projects – including the JF-17 Thunder fighter, Chashma nuclear plant, and Diamer-Basha Dam – operate outside the CPEC. Some initiatives, such as Gwadar port, began as bilateral projects before being absorbed into the corridor. Divergences exist between Beijing and Islamabad regarding what qualifies as a CPEC project. China only recognizes projects financed through BRI institutions, while Pakistan’s definition includes Public Sector Development Program (PSDP)-funded initiatives.

China treats the CPEC as primarily a commercial venture, with most financing through market-rate loans averaging 4% interest. Only Gwadar projects have received grants or interest-free loans, consistent with the BRI’s broader separation of government-backed and commercial projects.¹⁵ Chinese lenders hold preferential claims on assets in default (noted by the IMF), though Beijing has avoided asset takeovers in practice. Despite growing project distress during Pakistan’s economic crisis, China has rolled over loans rather than enforce terms, wary of setting a BRI-wide precedent.¹⁶ International lenders, meanwhile, insist on equitable treatment in any restructuring, opposing preferential terms for specific creditors.¹⁷ Islamabad – cornered by IMF demands – lacked leverage to negotiate better CPEC terms, having misread Chinese intentions. Pakistani officials assumed BRI loans would transition into aid or security commitments, misjudging Beijing’s commercial focus.¹⁸

Furthermore, there is considerable uncertainty about the total size of Chinese investments, as estimates vary depending on whether such include only committed funds or also planned projects. Current projections suggest an investment of around USD 62 billion, which could rise by another USD 50 billion if proposed water and hydropower projects move forward.¹⁹ However, political discord, bureaucratic delays, and Pakistan’s ongoing economic crisis have led China to scale back its investments,

¹⁴ Butt, interview.

¹⁵ Anna Gelpern, Sebastian Horn, Scott Morris, Brad Parks, and Christoph Trebesch, *How China Lends. A Rare Look into 100 Debt Contracts with Foreign Governments* (Washington, DC: Peterson Institute for International Economics, 2021).

¹⁶ Muhammad Faisal (researcher at the Institute of Strategic Studies Islamabad), interview with author, Islamabad, 20 April 2018.

¹⁷ “U.S.’ Pompeo warns against IMF bailout for Pakistan that aids China,” *Reuters*, 31 July 2018 (<https://www.reuters.com/article/world/us-pompeo-warns-against-imf-bailout-for-pakistan-that-aids-china-idUSKBN1KK2FW/> [accessed 25 July 2025]).

¹⁸ Anonymous Finance Ministry official, interview with author, Islamabad, 28 April 2018.

¹⁹ Madhia Afzal, “At all costs’: How Pakistan and China control the narrative on the China-Pakistan Economic Corridor,” *Brookings*, June 2020 (https://www.brookings.edu/wp-content/uploads/2020/06/FP_20200615_china_pakistan_afzal_v2.pdf); Shahid Rashid (Executive Director, Centre for Excellence CPEC, PIDE), interview with author, Islamabad, 22 March 2018; Faisal, interview, 20 April 2018.

significantly slowing the CPEC's momentum after its initial phase. As of 2023, China's ambassador confirmed that USD 25.4 billion had been invested, primarily through loans from Chinese banks, with the remainder contributed by Chinese energy companies. This investment has yielded 8,200 megawatts of power capacity, 886 kilometers of transmission lines, 510 kilometers of transport infrastructure, and the creation of approximately 155,000 jobs.²⁰ Seventy-five percent of CPEC investment (USD 15.66 billion) has gone to the energy sector, while USD 1.436 billion has gone to projects in Gwadar and USD 6.146 billion to infrastructure development. Notably, China has only provided grants to selected projects in Gwadar, such as the construction of the international airport.²¹ In addition, the Pakistani government continues to contribute to the CPEC's development, allocating Rs 22 billion in the 2023–24 budget for the western alignment.²²

Transparency

The Rostowian model highlights the importance of elite consensus as a cornerstone for significant modernization, with transparency playing a pivotal role in fostering such unity. However, Pakistan faces formidable challenges in achieving this consensus, primarily due to its political system: an illiberal tutelary democracy and the deeply fragmented nature of its elites. The country operates under tutelage, with the military heavily influencing decision-making, especially in foreign policy and relations with China. The global debate over elite consensus in development models pits authoritarian efficiency against democratic inclusion.²³ This tension plays out distinctly in Pakistan, where advocates claim a presidential system would ensure stability, but the distinction between presidential and parliamentary systems in Pakistan often disappears in practice.²⁴ Power consolidates regardless of structure, with civilian and military leaders adopting a strongman style. Zulfikar Bhutto, for instance, precluded a presidential system in 1973 but still centralized power in the Prime Minister's Office.²⁵ This reflects a deeper issue in which transparency and consensus-building are dismissed as signs of weakness, even though they are necessary for lasting development.

²⁰ "CPEC brought over 25\$ billion investment in Pakistan: Chinese Envoy," *Tribune*, 9 October 2023 (<https://tribune.com.pk/story/2440134/cpec-brought-over-25b-investment-to-pakistan-chinese-envoy>).

²¹ Rafiullah Kakar (member of Social Sector and Devolution at the Planning Commission, Government of Pakistan), interview with author, 27 April 2024.

²² "Govt Proposes Rs. 22 Billion Development Funds for CPEC Projects in Budget 2023–24," *ProPakistani*, 8 June 2023 (<https://propakistani.pk/2023/06/08/govt-proposes-rs-22-billion-development-funds-for-cpec-projects-in-budget-2023-24/>).

²³ Andrew J. Nathan, "Authoritarian Resilience," *Journal of Democracy* 14, no. 1 (2003): 6–17; Adam Przeworski, Michael E. Alvarez, José Antonio Cheibub, and Fernando Limongi, *Democracy and Development: Political Institutions and Well-Being in the World, 1950–1990* (Cambridge: Cambridge University Press, 2000); Daron Acemoglu and James A. Robinson, *Why Nations Fail: The Origins of Power, Prosperity, and Poverty* (New York: Crown Publishing, 2012).

²⁴ Syed Khawar Mehdi, "Parliamentary vs Presidential," *The Dawn*, 13 May 2019 (<https://www.dawn.com/news/1481947>); Mashhood Azam Awan, "A Case For The Presidential System In Pakistan," *The Friday Times*, 30 September 2021 (<https://thefridaytimes.com/30-Sep-2021/a-case-for-the-presidential-system-in-pakistan>).

²⁵ Moeen Cheema, *Courting Constitutionalism: The Politics of Public Law and Judicial Review in Pakistan* (Cambridge: Cambridge University Press, 2022), 93.

The CPEC serves as a prime example. Its implementation lacked elite consensus and public accountability, leading to polarization and undermining long-term outcomes. Gwadar, considered the CPEC's flagship project, remains underdeveloped despite military consensus on its strategic importance.²⁶ The exclusion of Baloch leaders from the project's planning fueled an insurgency that continues to threaten Chinese interests.²⁷ General Musharraf unilaterally launched Gwadar as a legacy project, bypassing standard planning procedures through a presidential order, sidestepping the Planning Commission, Parliament, Council of Common Interest (CCI), and impact assessments in his push for historical recognition. The Ministry of Communications fast tracked the project.²⁸ When Musharraf proposed Gwadar's development to Chinese officials in 2001, they were skeptical, questioning the project's feasibility given its isolation from key infrastructure.²⁹ After construction, the port was handed to Singapore's Port Authority (SPA) and its local partner, the Abdul Karim Dhedhi (AKD) Group, both of whom failed to invest significantly due to security risks and conflicting interests in Karachi. Eventually, the port was returned to China and leased to the China Overseas Ports Holding Company for forty years. Despite heavy investment and automation that turned it into a smart port, local employment remained limited, with only dry bulk cargo operations generating some jobs.³⁰ Pakistani officials promoted Gwadar's strategic value as an alternative oil route or potential naval base, but China remained lukewarm. The underlying neorealist assumption was that once Gwadar was connected via Karachi to the corridor, then China would take it over, recognizing its strategic value, and develop the port.³¹

The government's unilateral approach persisted even after the return to democratic rule. Both Nawaz Sharif and Imran Khan maintained patterns of secrecy and unilateralism, though with different styles. Under Nawaz Sharif, some parliamentary procedures were observed, but ultimately undermined. In 2016, the Senate Standing Committee on Planning and Development received a briefing from the Planning Commission about the CPEC, during which members raised serious concerns – some even comparing it to the East India Company.³² Instead of encouraging open debate, the administration doubled down on secrecy. Both Islamabad and Beijing were eager to keep the details of agreements confidential to avoid scrutiny. Many CPEC projects involved provincial jurisdictions, yet the matter was never properly taken up in the Council of Common Interest.

Sharif's government signed multiple memoranda of understanding with China, but these were not made public and thus escaped scrutiny. A basic CPEC long-term plan was released but lacked crucial details, such as financial evaluations or projects' economic rationale. Parliament was largely bypassed, with little room for substantive debate. After the initial backlash in the Senate, the administration avoided further

²⁶ Amb (Retd) Syed Azmat Hassan, interview with author, 12 March 2018; I.A. Khan, interview.

²⁷ Yunas Samad, *Pakistan-U.S. Conundrum: Jihadis, Military and the People – the struggle for control* (London: Hurst & Co., 2011).

²⁸ Faisal, interview, 20 April 2018.

²⁹ Markey, *China's Western Horizon*, viii.

³⁰ Pasand Khan Buledi (Chairman Gwadar Port Authority), interview with author, Gwadar, 12 October 2023; Gwadar Grammar School, group interview with author, Gwadar, 13 October 2023.

³¹ Kakar, interview.

³² Syed Irfan Raza, "CPEC could become another East India Company," *The Dawn*, 18 October 2016.

legislative discussion of the initiative. The CPEC operated without parliamentary scrutiny, as no related legislation was presented to the National Assembly and legislators' questions often went unanswered. The CCI, responsible for overseeing CPEC-affected sectors, including ports, minerals, and energy, remained inactive until 2017, when it belatedly began discussing projects such as Thar Coal and the Gwadar Port Authority. As early as 2016, provincial leaders – including Khyber Pakhtunkhwa's Pervaz Khattak and Sindh's finance minister – protested the lack of CPEC investment in their regions and called for proper CCI deliberation. Though the Senate Special Committee recommended placing the CPEC under CCI oversight, the body only formally engaged with the initiative in 2018; even then, its discussions were limited to the Special Economic Zones.³³

Imran Khan, while in opposition, criticized the CPEC's lack of transparency, blending it into his broader narrative of government corruption. Once in power, however, his administration largely continued the same opaque practices. Under Imran Khan, Commerce Minister Razzak Daud initially called for freezing and re-evaluating CPEC projects, suggesting the previous government had unfairly favored Chinese firms at the expense of local businesses.³⁴ Facing backlash from Beijing, however, Daud quickly retracted his statements. Eventually, a new framework agreement was signed between the Chairman of Pakistan's Board of Investment (BoI) and the Chinese National Development & Reform Commission. Yet, the contents of the agreement were never made public, and even senior BoI officials were unaware of its implications.³⁵

Despite Imran Khan's criticism of the lack of transparency, he was also unprepared to be candid. Imran Khan's administration used ordinances, signed by the president, to bypass the National Assembly to establish the CPEC authority – led by General Asim Bajwa – and remove it from the Planning Commission's remit.³⁶ Like previous administrations, Khan's government did not attempt to build political consensus or involve Parliament in meaningful discussion. The bureaucracy responsible for implementing the CPEC's long-term plan often lacked access to the agreement specifics, highlighting how even technocrats were left in the dark. This recurring pattern – civilian and military leaders alike evading accountability and consensus – has significantly undermined the CPEC's potential and broader development goals. Pakistan's leadership has repeatedly treated transparency as expendable, sidelining both institutional processes and public participation, which are vital to long-term national progress. Yet transparency alone does not fully explain the CPEC's trajectory; understanding the military's overarching influence is essential.

³³ Boni and Adeney, "The Impact of the China-Pakistan Economic Corridor on Pakistan's Federal System."

³⁴ "Pakistan official's criticism of China's 'Silk Road' projects raises worries," *Reuters*, 10 September 2018 (<https://www.reuters.com/article/world/pakistan-officials-criticism-of-chinas-silk-road-projects-raises-worries-idUSKCN1LQ1LO/> [accessed 25 July 2025]).

³⁵ Faisal Khokhar (Board of Investment), interview with author, Islamabad, 24 February 2023.

³⁶ Shahid Fiaz (Chief Executive Officer, Free and Fair Election Network), interview with author, 21 February 2023.

Military

Pakistan's relationship with China has long been shaped by neorealist thinking, prioritizing national security over democratic or participatory governance. The Pakistan Army has been the principal architect of this relationship, ensuring continuity across political changes and using its dominance over foreign policy to mold the CPEC within its broader doctrine of hard power and central control. This tutelary role has sidelined elected civilian leadership in key decisions, especially regarding China, framing the partnership as one of strategic necessity rather than democratic consensus.

Pakistan's foreign policy has historically been shaped by its rivalry with India, leading to it aligning with the United States. That alliance has experienced recurring cycles of cooperation and abandonment, however, culminating in the Trump administration cutting off military aid in 2018. Throughout this volatile relationship, Pakistan's military remained the decisive actor, ultimately orchestrating a pivot to China when US support waned. The China partnership, although longstanding, intensified as Pakistani military planners became increasingly disillusioned with American unpredictability and began championing China as the primary long-term strategic partner.³⁷ By 2010, China had invested over USD 20 billion in Pakistan's infrastructure and defense systems. However, Islamabad's push for deeper economic integration was often met with caution in Beijing.³⁸ Musharraf's TEC proposal emerged as part of Pakistan's broader shift toward China, contrasting with US efforts to promote TAPI. This strategy reflected Islamabad's growing frustration with Western alliances and its ambition to deepen economic ties with Beijing through infrastructure along the Karakoram Highway.³⁹

Gwadar port's development illustrates the military's strategic priorities. Musharraf secured Chinese funding for the port by emphasizing its geopolitical importance despite economic viability concerns. Initially, Chinese officials were skeptical of Gwadar's remote location, but approved it as a political favor. Gwadar, purchased from Oman in 1958 for USD 3 million, had initially failed to attract Western investment. Its tactical value became apparent only after India's 1971 blockade of Karachi revealed Pakistan's port vulnerabilities. This security imperative – rather than economic potential – is what drove Gwadar's development under Musharraf, who prioritized its military utility over commercial viability.⁴⁰ However, Gwadar needed to also be a proper commercial port – an oil terminal and inland connectivity – to truly succeed strategically.

Crucially, Baloch stakeholders were excluded from planning, despite warnings of the development's impact on the local economy, resource distribution, and potential migration. Instead of negotiations, the regime responded forcefully. The military campaign of 2005–6 in Dera Bugti targeted nationalist leader Akbar Bugti, whose

³⁷ S. Rashid Munir and Yunas Samad, "Pakistan's Shift toward China: Evidence from Pakistani Strategic Journals," in *Insecurity and Ambition: Understanding Pakistan's Strategic Debates*, eds. Chris Clary and Samseer Lalwani (Washington, DC: Georgetown University Press, forthcoming).

³⁸ Riaz Mohammad Khan, "Pakistan-China Relations: An Overview," *Pakistan Horizon* 64, no. 4 (2011): 11–28.

³⁹ Fazal-ur-Rahman, "Prospects of Pakistan Becoming a Trade and Energy Corridor for China."

⁴⁰ Small, *The China Pakistan Axis*, 100–104.

killing elevated him to the status of martyr and fractured the reconciliation legacy left by the Zia era. A Senate committee consensus for a political solution was discarded in favor of coercion, igniting an insurgency that continues to affect the CPEC today.⁴¹

The military's securitized development model in Balochistan profoundly shaped the CPEC. Under Xi Jinping's BRI, China deepened its economic engagement with Pakistan, helping to offset the decline of US aid. Musharraf's TEC vision gradually evolved into the CPEC, but it was Prime Minister Nawaz Sharif who successfully persuaded Beijing to expand the initiative from its initially limited scope into a comprehensive economic program encompassing infrastructure, energy, and industry.⁴² While Islamabad has portrayed the CPEC as an economic corridor, Beijing's commitment remains uncertain. Satellite imagery suggests little progress along the Kashgar-Khunjerab stretch. While Beijing promotes the CPEC as an economic transformation in regional trade, Islamabad views it as a strategic anchor, securing both infrastructure and diplomatic ties to deepen China's regional presence.⁴³

Despite the promise, security challenges have marred the CPEC's implementation. Gwadar has seen tangible progress – including construction of a desalination plant, Eastbay Expressway, a free zone, hospital, and airport – but these advances have been undermined by insurgent attacks, especially targeting Chinese personnel. Notable incidents include the Gwadar Avari Hotel attack, the bombing of the Confucius Institute in Karachi, and repeated ambushes on security forces. China's consistent demand has been enhanced protection for its nationals, including calls for hiring private Chinese security firms. In response, the Pakistani military stationed a brigade in Gwadar, led by a major-general, dedicated to protecting Chinese workers and installations. Nevertheless, movement restrictions have become severe. Chinese personnel remain confined to militarized zones, disconnected from local communities, which has stifled social integration and generated local resentment. Evening curfews and limited access to public spaces have disrupted livelihoods, further alienating Gwadar's residents. The 600-kilometer Gwadar-Karachi highway is dotted with military checkpoints, yet attacks continue, underscoring the area's fragile security environment.⁴⁴

When China showed no interest in constructing an oil pipeline through Pakistan, Gwadar was rebranded as a gateway to Central Asia.⁴⁵ Yet for the port to achieve this potential, three conditions must be met: normalized trade with both India and Afghanistan and sounder economic planning. At present, Gwadar remains isolated, accessible only via the Makran Coastal Highway. Key routes – such as the western link to Quetta and the M-8 Motorway to Ratodero – face delays due to funding gaps, technical setbacks, and security issues.

⁴¹ Yunas Samad, "Understanding the insurgency in Balochistan," *Commonwealth & Comparative Politics* 52, no. 2 (2014): 293–320.

⁴² Anonymous Finance Ministry official, interview.

⁴³ Hassan, interview; I.A. Khan, interview.

⁴⁴ Buledi, interview; Aurangzaib Badini (District Commissioner), interview with author, Gwadar, 12 October 2023; Gwadar Grammar School, group interview.

⁴⁵ Moeed Yusuf and Rabia Akhtar, *Pakistan's Geoeconomic Pivot: Strategies, Opportunities, and Challenges* (Islamabad: Friedrich-Ebert-Stiftung Pakistan, 2023).

Beyond Gwadar, the military shaped the CPEC's broader design, emphasizing infrastructure projects with strategic implications. Such projects include the Havelian-Thakot section of the Karakoram Highway, the Multan-Sukkur segment of the Peshawar-Karachi motorway, the Hakla-Dera Ismail Khan (M-14) and Sukkur-Gwadar (M-8) motorways, and an optical fiber network from Khunjerab to Rawalpindi. The ML-1 railway upgrade, heavily championed by the military, has progressed slowly, with key questions around its economic feasibility remaining unresolved.⁴⁶ Furthermore, the military has not just overseen but also profited from the CPEC. Institutions such as the National Logistics Cell (NLC) had a share in Gwadar port with the Singapore Port Authority when the port was first built and Frontier Works Organization (FWO) hold stakes in other key CPEC projects, such as the M-14 and M-8 motorways.⁴⁷ Military-backed ventures, including the Green Tourism Company, have targeted Chinese tourism in Gilgit-Baltistan, cementing the institution's dual role as both a strategic guardian and commercial participant in the CPEC.

The military's expectations from the CPEC extended beyond economics. Many officials saw the project as an extension of the Pakistan-China strategic alliance, hoping it would eventually yield a formal security pact or lead China to assume control of Gwadar, with Chinese loans eventually transforming into aid.⁴⁸ For instance, Mehmoodul Hasan Khan, writing in the *Defence Journal*, described the CPEC as a means to enhance security cooperation, while Khalid Mehmood, former Ambassador to China and Chair of the Institute for Strategic Studies Islamabad, characterized the CPEC as a shift from a tactical alliance to a strategic partnership.⁴⁹ This thinking was informed by China's interest in bypassing the Malacca Strait, framed as a vulnerability in the face of US naval power.⁵⁰ Yet international analysts argue that Gwadar, rather than solving China's "Malacca Dilemma," might actually be more vulnerable to blockade.⁵¹ The belief that China would commit to Gwadar once the corridor reached Karachi failed to materialize. These miscalculations reveal how much more Pakistan's approach to the CPEC was shaped by security concerns than solid economic strategy. By 2022, the limitations of this vision became apparent. China did not formalize a defense pact, take over Gwadar, or offer a bailout during Pakistan's financial crisis. Prime Minister Imran Khan sought debt relief and hoped China would shield Pakistan from IMF conditions, but Beijing advised IMF negotiations instead. While willing to roll over loans, China refused to fully absorb Pakistan's debt obligations.⁵²

⁴⁶ Muhammad Faisal (researcher at the Institute of Strategic Studies Islamabad), interview with author, Islamabad, 23 February 2023.

⁴⁷ Small, *The China Pakistan Axis*, 100–104; "Highways & Roads," Frontier Works Organization (<https://fwo.com.pk/highways-roads/> [accessed 25 July 2025]).

⁴⁸ Kakar, interview; Anonymous Finance Ministry official, interview.

⁴⁹ Mehmoodul Hasan Khan, "PakChina's Game Changer Relationships," *Defence Journal* 18, no. 4 (2014): 15–19; Khalid Mahmood, "Pakistan-China strategic relations," *Strategic Studies* 31, no. 1/2 (2011): 9–15.

⁵⁰ Amb (Retd) Shahryar Khan (former Foreign Secretary), interview with author, 12 and 14 March 2018; I.A. Khan, interview.

⁵¹ Small, *The China Pakistan Axis*, 103.

⁵² Adnan Aamir, "Why Did China Refuse to Bail Out Pakistan?" *Reconnecting Asia*, 19 November 2018 (<https://reconasia.csis.org/why-did-china-refuse-bail-out-pakistan/>).

These developments exposed the limits of the military-led assumption that strategic loyalty would guarantee economic rescue. The resulting crisis laid bare Pakistan's tutelary regime model. Khan resisted IMF engagement, believing it politically damaging, and the military, seeing such engagement as essential to stabilization, withdrew support. This culminated in Khan's removal via a no-confidence vote in April 2022. The military reset foreign policy, pivoted back to the US, and secured a USD 450 million F-16 maintenance package.⁵³ Pakistan also distanced itself from Khan's pro-Russia rhetoric, signaling its alignment with Western interests by supplying artillery shells to Ukraine.⁵⁴

The military has broadened the CPEC's investment focus, seeking international partners. Recent examples include the US Ambassador's visit to Gwadar to encourage American investment, Saudi interest via the Special Investment Facilitation Council, and offers to grant Oman access to Gwadar port.⁵⁵ These moves demonstrate the military's pragmatic adjustment to China's limited enthusiasm for Pakistan's more expansive strategic dreams. Rather than continue to bet solely on Chinese patronage, the military has sought to internationalize Gwadar's development and diversify Pakistan's foreign policy and economic partnerships.

Provincial divisions

Beyond national security considerations, implementation of the CPEC also exacerbated provincial tensions, particularly in marginalized regions such as Balochistan. Once hailed as a transformative venture for Pakistan's economy and a means of fostering national unity through shared development, the CPEC has instead become a source of heightened ethnic and provincial tensions. Despite its promise, the CPEC has deepened feelings of exclusion and marginalization among Pakistan's minority provinces, particularly Balochistan, where the port city of Gwadar – central to the initiative – has become a flashpoint of resistance and disillusionment.

Under President Asif Ali Zardari, the 18th Amendment to the Constitution marked a significant shift in governance. The amendment was intended to reduce presidential overreach and empower provinces with greater control over resources and decision-making. Backed by all major parties, the amendment recognized the grievances of provinces like Balochistan, long marginalized by centralized rule. The amendment also revised the National Finance Commission Award to distribute federal funds based on underdevelopment and resource contribution, not just population.⁵⁶ Reforms such as the Aghaz-e-Haqooq package addressed Balochistan's grievances by integrating local leaders into decision-making – evident in Gwadar Port Authority's shift from

⁵³ Madiha Afzal, "The Biden administration's two-track Pakistan policy misses the mark," The Brookings Institute, 2 March 2023 (<https://www.brookings.edu/articles/the-biden-administrations-two-track-pakistan-policy-misses-the-mark/>).

⁵⁴ "Pakistan signed contracts with US firms for arms sales to Ukraine: report," Dawn, 15 November 2023 (<https://www.dawn.com/news/1789451>).

⁵⁵ "Pakistan Offers Oman Use of Gwadar and Karachi Ports for Central Asian Markets Access," ProPakistani, 13 March 2025 (<https://propakistani.pk/2025/03/13/pakistan-offers-oman-use-of-gwadar-and-karachi-ports-for-central-asian-markets-access/>).

⁵⁶ Samad, *Pakistan-U.S. Conundrum*.

military to provincial civil servant leadership.⁵⁷ Attempts at dialogue with insurgents under Chief Minister Dr. Abdul Malik Baloch during Nawaz Sharif's government also aimed at reconciliation, but faltered due to mistrust and the military's dominant role in security matters. Despite reforms intended to decentralize power, the CPEC's implementation recentralized authority, exacerbating regional tensions. The military, rather than pursuing a political resolution, used the insurgency as justification to consolidate control at the national level, undermining the 18th Amendment's promise of provincial autonomy.⁵⁸

Despite the 18th Amendment's vision for inclusive development – devolving power to address historical grievances – the CPEC's implementation ignored this framework. The project recentralized authority, disproportionately favoring Punjab and reigniting the ethno-regional tensions the reforms had sought to resolve. As documented by Boni and Adeney, the minority provinces dubbed the CPEC as the “China Punjab Economic Corridor,” highlighting their perception that Punjab was receiving a disproportionate amount of the project's benefits at the expense of other regions. Energy sector investments, a primary focus of the CPEC, heavily favored Sindh and Punjab, while completely neglecting areas such as Gilgit-Baltistan. More critically, the original plan to prioritize underdeveloped provinces – including Balochistan and Khyber Pakhtunkhwa – was abandoned. The eastern route through Punjab was prioritized, as the PML saw the CPEC as a tool for re-election rather than a national development initiative.⁵⁹

The second phase of the CPEC, focused on Special Economic Zones (SEZs), offered a chance to address earlier imbalances but saw little progress. Only four SEZs – Rashakai, Dhabeji, Bostan, and Allama Iqbal Industrial City – advanced, and even these remain only partially implemented. Weak coordination between federal and provincial governments, limited capacity, land acquisition delays, and Pakistan's economic crisis severely hampered development.⁶⁰ Minority provinces, especially Balochistan, saw this as further evidence that the CPEC disproportionately benefited Punjab rather than promoting equitable growth.

Gwadar, projected as the CPEC's crown jewel, became a focal point of resistance instead of development. Rapid development and a lack of local consultation triggered nationalist backlash. The military's repressive response conflated all Baloch demands with separatism, ignoring legitimate grievances over human rights abuses, autonomy, and resource control. In 2024, violence surged, with multiple high-profile attacks by insurgents, including the Baloch Liberation Army (BLA), targeting security forces,

⁵⁷ Government of Pakistan, “Aghaaz-e-Huqoq Balochistan,” South Asia Terrorism Portal, 23 November 2009 (https://old.satp.org/satporgtp/countries/pakistan/document/papers/Aghaaz-e-Huqoq_Balochistan.htm [accessed 25 July 2025]); “Chairman History,” Gwadar Port Authority (<https://gwadarport.gov.pk/chairman.aspx> [accessed 25 July 2025]).

⁵⁸ Salman Rafi Sheikh, “Balochistan and the 18th Amendment: The Civil-Military Roots of Separatism and Regime Militarisation in Pakistan,” *Asian Affairs* 54, no. 4 (2023): 619–646.

⁵⁹ Boni and Adeney, “The Impact of the China-Pakistan Economic Corridor on Pakistan's Federal System.”

⁶⁰ Anonymous National Security Division official (Prime Minister's Office), interview with author, Islamabad, 23 February 2023.

infrastructure, and Chinese personnel. Islamabad, under pressure from China, responded with intensified military operations, risking further escalation.⁶¹

Beyond security concerns, Gwadar's chronic water and electricity shortages have compounded local frustrations. These critical infrastructure failures have not only disrupted the city's development but also politicized its marginalized communities, fueling broader resentment against the state. The Haq Do Tehreek, led by Maulana Hidayat ur Rehman Baluch, began as a protest over basic needs and evolved into a broader movement challenging state authority. Government responses – building rain-fed dams and pipelines – have been piecemeal, divided among multiple agencies with little coordination or budget. The region's dry climate undermines the viability of dams, while the planned desalinated water option is too expensive for many locals. Gwadar also remains disconnected from the national power grid, relying on electricity imports from Iran. This dependency leaves it vulnerable to supply disruptions. A proposed coal-fired power plant using imported coal may help, but concerns remain over affordability for residents. Meanwhile, a thriving informal trade with Iran – including smuggled fuel and goods – has filled the economic void. Although steps have been taken to formalize trade, such as a memorandum of understanding for a joint market in Gapd district, they have not resolved core economic vulnerabilities. The local fishing industry, vital to Gwadar's economy, has also suffered. Initially blamed on Chinese fishing fleets, it became clear that fleets from Sindh were engaged in illegal fishing. With the coast guard's limited jurisdiction and resource capacity, most of the coastline remains unpatrolled, and local fishermen continue to struggle. This issue directly impacts the economic survival of many Baloch families in the region, creating further grievances that feeds into broader resentment.⁶² These persistent governance failures ultimately reveal the deep disconnect between the CPEC's grand vision and Pakistan's on-the-ground realities.

The challenges addressing Gwadar's issues are amplified by the overlapping and often conflicting authority of various governmental bodies. The administrative framework is complex, involving the Gwadar Development Authority (GDA), a joint provincial and federal entity; the Port Authority, a federal agency; the district commissioner, representing the provincial administration; the brigade commander, overseeing military operations and security; and the navy and coast guard, responsible for maritime security. The lack of a clear delineation of responsibilities among these entities has created significant obstacles to implementing effective solutions.⁶³ Furthermore, the absence of elite consensus has fueled disputes over Gwadar's governance, especially following the controversial proposal to designate it as a federal territory – a move seen by many as a centralizing power grab.⁶⁴ This has intensified narratives of Baloch marginalization, which insurgents exploit to legitimize their resistance.

⁶¹ Yunas Samad, "The Balochistan Quagmire: A Cycle of Violence, Political Mobilization, and Repression," *Georgetown Journal of International Affairs*, 14 March 2025 (<https://gia.georgetown.edu/2025/03/14/the-balochistan-quagmire-a-cycle-of-violence-political-mobilization-and-repression/>).

⁶² Zakir Majid (Gwadar Development Authority), interview with author, Gwadar, 12 October 2023; Badini, interview; Gwadar Grammar School, group interview.

⁶³ Majid, interview with author.

⁶⁴ Badini, interview; Anonymous National Security Division official, interview.

This localized unrest mirrors broader patterns across Pakistan, where the CPEC's top-down approach has deepened, rather than healed, internal divisions. Far from unifying the nation, the project has exposed Pakistan's fractures, alienating marginalized communities in its rush for centralized development. Gwadar, once touted as a beacon of prosperity, has instead become a symbol of exclusion and broken promises. These frustrations reflect a wider national trend, where elite fragmentation and political rivalries have further strained the CPEC's governance.

Political divisions

Gwadar and the broader CPEC initiative were developed under military tutelage, even as civilian governments sought oversight and access to patronage opportunities. However, efforts to make Gwadar economically viable were constrained by the military's control over foreign policy and internal security. With national political parties divided over the direction of the CPEC, the military positioned itself as the final arbiter. This mirrored Pakistan's broader development pattern, where elite capture and political maneuvering prioritized short-term gains over long-term sustainability, sidelining economic viability.

During President Zardari's tenure, his administration attempted to shift control of Gwadar from military to civilian hands by appointing provincial bureaucrats to key positions at the port. The succeeding PML-N government, which launched the CPEC, aimed to capitalize on the project's political benefits while retaining civilian oversight. Under Prime Minister Nawaz Sharif, the CPEC was overseen by the Planning Commission, led by Dr. Ahsan Iqbal. Yet, despite this civilian-led framework, strategic control remained firmly with the military, underscoring the armed forces' enduring influence over major economic initiatives.

When the PTI assumed power in 2018, defeating the PML-N, its support for the CPEC's infrastructure-heavy agenda was notably half-hearted. During his election campaign, Imran Khan had sharply criticized the PML-N's focus on energy and connectivity projects under the CPEC, arguing they failed to address Pakistan's urgent social needs. Instead, his platform emphasized immediate welfare initiatives, such as the Sehat Sahulat health insurance program, as top priorities. The PTI's reservations stemmed from concerns that massive CPEC infrastructure investments – particularly in power plants and transport networks – were locking Pakistan into long-term financial commitments that would constrain fiscal space for social spending.

Upon taking office, the PTI government moved to reorient economic priorities, attempting to renegotiate contracts with Chinese power producers and implemented a 35% reduction in the PSDP budget, directly impacting sixteen Chinese-backed projects: twelve in Gwadar and four elsewhere in Pakistan.⁶⁵ In a significant departure, Islamabad invited Saudi Arabia to invest in Gwadar's oil refinery and Balochistan's mining sector – projects originally designated for Chinese companies. However, these alternative plans collapsed due to Gwadar's persistent connectivity problems and security risks in Balochistan, inadvertently straining relations with

⁶⁵ Katharine Adeney and Filippo Boni, *How China and Pakistan Negotiate* Carnegie Endowment (Washington, DC: Carnegie Endowment, 2021) (<https://carnegieendowment.org/research/2021/05/how-china-and-pakistan-negotiate?lang=en&enter=india>).

Beijing.⁶⁶ Razak Dawood, the Minister for Commerce, also voiced skepticism about Gwadar port's economic viability, describing it as a significant drain on resources.⁶⁷ Rising Chinese skepticism, coupled with the PTI government's apparent shift away from the CPEC, prompted Beijing to raise concerns. In response, General Qamar Bajwa stepped in as a key mediator, helping to defuse tensions and set the stage for Imran Khan's subsequent visit to Beijing. During the trip, Khan publicly reaffirmed Pakistan's commitment to the CPEC. The resulting compromise saw the PTI government accept the second phase of the free trade agreement (FTA) and China nominally expanded the CPEC to include social development projects.⁶⁸

However, the PTI administration's lack of genuine commitment to the CPEC, coupled with China's growing distrust, led to a gradual disengagement from the project. Control over the CPEC was effectively handed over to the military, and the PTI shifted its focus to industrial cooperation, SEZs, and completing existing projects.⁶⁹ In a major bureaucratic shift, CPEC oversight was moved from the civilian Planning Commission to a new CPEC Authority led by retired General Asim Bajwa, solidifying military control over the CPEC. This shift was marked by the reassignment of Planning Commission staff, and the completion of the Matiari-Lahore transmission line became a key achievement of Bajwa's term.⁷⁰ The arrangement persisted until 2022, when Prime Minister Shehbaz Sharif's government dissolved the CPEC Authority and restored civilian control through the Planning Commission. The PTI decision to allow the military to take control of the CPEC was partly a reflection of its lack of commitment to the project, as the planned infrastructure initiatives did not align with the PTI's vision of prioritizing social development. This episode underscores the persistent lack of elite consensus in Pakistan, while reaffirming the military's dominant role in steering the country's economic policies.

While the CPEC aligned with China's strategic interests, it also offered Pakistan more autonomy than Western-funded projects. Unlike World Bank or Asian Development Bank programs, BRI financing came without strict conditionalities.⁷¹ However, this flexibility – lacking both external safeguards and domestic oversight – allowed Pakistani elites to modify implementation. Projects were selected for political patronage rather than economic viability, undermining the original CPEC purpose through entrenched rent-seeking. Ultimately, China's strategic vision was undermined by Pakistan's entrenched rent-seeking culture, fragmenting the CPEC's original economic purpose.

While, on paper, the official approval process appears rigorous, decision-making follows a strictly top-down hierarchy in practice, as bureaucrats defer to ministers who ultimately comply with the prime minister's directives, leaving little space for independent evaluation.⁷² The Planning Commission leads policy formulation with

⁶⁶ Aamir, "Why Did China Refuse to Bail Out Pakistan?"

⁶⁷ Mahmood Ahmad Khan (Star Marketing), interview with author, Gwadar, 13 October 2023.

⁶⁸ Faisal, interview, 20 April 2018.

⁶⁹ Adeney and Boni, "How China and Pakistan Negotiate."

⁷⁰ "Pakistan's first HVDC power transmission line begins operations," *Gulf News*, 20 September 2021 (<https://gulfnews.com/world/asia/pakistan/pakistans-first-hvdc-power-transmission-line-begins-operations-1.82639642>).

⁷¹ Shahid Rashid (NESCOM), interview with author, 7 April 2023.

⁷² Hafeez Jamali (Director General, Baluchistan Civil Service Academy), interview with author, 2 March 2024.

Pakistan Institute of Development Economics (PIDE) research support, while actual authority rests with the China-Pakistan Joint Cooperation Committee (JCC). Pakistan's JCC comprises eleven working groups: three core Planning Commission groups (planning, Gwadar, socioeconomic) alongside sector-specific teams (energy, transport, industry). Ministries maintain the CPEC cells conducting feasibility studies before JCC submission. For example, in industrial cooperation, the BoI takes the lead while incorporating provincial input, whereas transport projects originate from technical studies such as the National Highway Agency's 2015 network gap analysis, which informed Communications Ministry proposals.⁷³

In practice, the system favors political priorities over merit. The standard project cycle (PC-I to PC-V) often omits final evaluations (PC-V), creating a broken feedback loop where completion equals success regardless of impact.⁷⁴ Well-resourced provinces dominate submissions and feasibility studies unvaryingly endorse projects with outcomes preordained by political influence rather than rigorous analysis.⁷⁵ Decision-making remains politicized – the planning minister-led JCC advances ruling party agendas, with bureaucrats compelled to comply. After Planning Commission review, projects require prime ministerial approval before Chinese JCC review. Chinese partners maintain stricter due diligence, conducting independent feasibility studies before opaque bidding favoring state-owned enterprises with preferential financing. Usually, such enterprises have to submit a successful tender for a CPEC project and credit is supplied by participating banks. JCC prioritization remains politically motivated, heavily influenced by security concerns.⁷⁶ The lack of post-implementation evaluation perpetuates underperforming investments without accountability or institutional learning.⁷⁷

The CPEC prioritized energy to address chronic shortages, but failed to tackle multiple structural issues: lucrative contracts and guarantees to independent power producers (IPPs); incentivized reliance on imported fuel instead of hydropower; a growing circular debt driven by consumer subsidies, which, in 2024, reached Rs 2,400 trillion for the power sector; outdated and inefficient distribution infrastructure; widespread theft and losses; and insufficient transmission capacity to match production with demand.⁷⁸ The Nawaz Sharif government opted for quick fixes over reform, prioritizing Lahore and Central Punjab's electoral needs. Experts proposed linking Karachi's supply to Punjab via transmission lines – a long-term solution rejected because it would not yield results before the 2018 elections. Instead, Sahiwal's coal plant was built in fertile farmland, requiring imported coal transported from Karachi – a politically driven, inefficient choice. Typically, coal plants are built near ports to minimize transportation costs, but political expediency dictated the

⁷³ Liaqat Ali Shah (Head of Policy-Making at CPEC Authority), interview with author, 24 February 2023.

⁷⁴ Government of Pakistan, *Manual for Project Development* (Ministry of Planning, Development & Special Initiatives, 2021).

⁷⁵ Jamali, interview.

⁷⁶ Faisal, interview, 23 February 2023.

⁷⁷ Dr. Safdar A. Sohail (Executive Director of the Social Protection Resource Centre), interview with author, Islamabad, 30 March 2023.

⁷⁸ Regarding circular debt driven by consumer subsidies, see National Institute of Public Policy, *Quagmire of Circular Debt: Insights and Solutions* (Lahore: National School of Public Policy, 2024) (<https://nspp.gov.pk/wp-content/uploads/2024/11/Quagmire-of-Circular-Debt.pdf>).

decision.⁷⁹ Reliance on cheap fuel imports and a stable rupee backfired when the Ukraine war spiked global prices and crashed Pakistan's currency, exposing the policy's short-termism.

The CPEC has been marred by conflicts of interest, notably in the Port Qasim power project, where Al Mirqab Capital held a 49% stake, raising ethical concerns. This connection proves particularly controversial given Al Thani's role in the Panamagate case that ultimately disqualified Nawaz Sharif from office. As a key witness, Al Thani submitted two letters to Pakistan's Supreme Court detailing the Sharif family's Middle Eastern business dealings; the same family that approved his firm's CPEC contract.⁸⁰ Similarly, SEZ selections ignored Chinese technical assessments favoring Dhabeji (Sindh) and Haripur (KP) due to their logistical advantages. Instead, KP Chief Minister Pervez Khattak pushed for Rashakai in his home district, despite its higher costs, poor connectivity, and inadequate utilities – a move widely seen as self-serving.⁸¹ These cases highlight how political and personal interests repeatedly overrode economic rationale, undermining the CPEC's developmental goals through flawed governance.

Connectivity was central to the CPEC, yet the western routes linking Gwadar to Pakistan's heartland were deprioritized in favor of politically expedient eastern projects. The stalling of western routes was partly due to Chinese firms' refusal to operate in insecure regions under build-operate-transfer terms.⁸² The eastern alignment was prioritized due to Punjab's electoral significance, with the motorway built in the least obvious middle section, creating 25,600 local jobs on the assumption that this would yield political dividends.⁸³ Additionally, projects within Punjab, such as the Orange Line, received priority. In the case of the Orange Line, Shahbaz Sharif, the Chief Minister of Punjab, bypassed the JCC process to directly lobby the Chinese, as his personal vanity project required cross-subsidization with other projects to be viable.⁸⁴ By 2024, the western corridors remained incomplete, trapped in Pakistan's fiscal crisis. Dependent on PSDP funding, these projects have been condemned by the IMF for their fourteen-year completion timelines – rendering Gwadar's strategic value precarious.⁸⁵

The development of Gwadar has faced numerous challenges, including inconsistent support from the federal government. Commerce Minister Razzak Daoud's public

⁷⁹ Faisal, interview, 23 February 2023; Ijlal Naqvi, *Access to Power: Electricity and the Infrastructural State and in Pakistan* (Oxford University Press, 2022), 54–55.

⁸⁰ "Port Qasim Coal-Fired Power Plant, Karachi," *Power Technology*, 22 May 2020 (<https://www.power-technology.com/projects/port-qasim-coal-fired-power-plant-karachi/>); Nasir Iqbal, "Sharifs submit another Qatari letter to SC," *The Dawn*, 27 January 2017 (<https://www.dawn.com/news/1311022/sharifs-submit-another-qatari-letter-to-sc>).

⁸¹ Rashid, interview, 7 April 2023.

⁸² S. Sial, "The China-Pakistan Economic Corridor: An Assessment of Potential Threats and Constraints," *Conflict and Peace Studies* 6, no. 24 (2014): 11–40.

⁸³ CPEC Secretariat, "Peshawar-Karachi Motorway (Multan-Sukkur Section)," Ministry of Planning, Development, & Special Initiatives (<https://cpec.gov.pk/project-details/29> [accessed 14 September 2024]).

⁸⁴ Anonymous Finance Ministry official, interview.

⁸⁵ Shahbaz Rana, "IMF Sceptical about PSDP: report," *The Express Tribune*, 17 May 2023 (<https://tribune.com.pk/story/2417214/pakistans-psdp-unaffordable-completion-cost-understated-imf-report>).

skepticism of Gwadar's viability crashed the property market, halving land values.⁸⁶ The revised master plan approved in 2019 aimed to revitalize Gwadar by incorporating a free trade zone beyond the port area. The Chinese were granted this concession in the port area, and several industries have been established there, including pharmaceuticals, metal recycling, and a planned fertilizer plant. Raw materials are imported, processed in the free zone, and then exported with minimal local interaction. Despite these developments, the city remains largely inactive, with designated zones for housing, industry, and commerce, but little human activity. The lack of basic amenities such as water, electricity, employment opportunities, and modern facilities has resulted in a ghost town. Only recently were a modern school and medical facility set up, but the Chinese-operated facilities struggled due to an inability to recruit staff. Without basic utilities and services, people will not move to Gwadar to live and work.⁸⁷

Gwadar is failing to operate optimally primarily due to poor connectivity, which significantly impacts port traffic. It is believed that the Chinese are not even operating at a breakeven point. While Gwadar is an attractive port for offloading cargo, as it has shorter wait times than Karachi, the port suffers from a major deficit: there is no cargo for ships to pick up, reflecting its poor connectivity. Most of the traffic it handles consists of bulk cargo such as wheat and fertilizer imported by the government and then transported by truck upcountry. Saudi Arabia was asked to set up a refinery in Gwadar, but their feasibility study indicated poor connectivity. They preferred setting up another plant in Karachi instead.⁸⁸ The federal government is trying to persuade Barrick Gold Corporation to route the ore mined from Reko Diq to Gwadar for export, but again, connectivity and security issues pose significant impediments.⁸⁹

The CPEC has exacerbated Pakistan's economic crisis in two key ways. Firstly, the CPEC's early focus on imported-fuel power plants worsened Pakistan's circular debt crisis, creating unsustainable financial burdens. Secondly, Pakistan's currency collapse – accelerated by domestic instability and global shocks, such as the war in Ukraine – exposed fundamental flaws in the CPEC's economic assumptions, particularly its reliance on stable exchange rates and cheap energy imports. The stalled ML-1 railway project, agreed in 2017 in an effort to modernize freight infrastructure, stalled due to conflicting priorities. Pakistani authorities have pushed for greater local participation while neglecting the reforms necessary to making Pakistan Railways financially viable. This reflects the broader CPEC pattern in which short-term political and commercial considerations consistently override long-term planning. Chinese partners, frustrated by such delays, now demand proof of completed projects before considering new proposals – a significant shift from earlier unconditional engagements.⁹⁰

⁸⁶ M.A. Khan, interview; Mehood Yacub (CG consultant), interview with author, Gwadar, 13 October 2023.

⁸⁷ Buledi, interview; Gwadar Grammar School, group interview.

⁸⁸ Buledi, interview; Rahul Kumar, "Poor infrastructure, rising instability force Saudi Arabia to shift Gwadar refinery to Hub near Karachi," *India Narrative*, 30 December 2021 (<https://www.indianarrative.com/world-news/poor-infrastructure-rising-instability-force-saudi-arabia-to-shift-gwadar-refinery-to-hub-near-karachi-29888.html?utm>).

⁸⁹ Kakar, interview.

⁹⁰ Jamali, interview.

China has responded to Pakistan's economic crisis with calculated restraint. While providing crucial stop gap support – including loan rollovers, USD 3 billion in currency deposits, and a USD 6 billion trade facility – Beijing has refused to bail out Pakistan's IMF debt or assume broader financial responsibility.⁹¹ Chinese officials have instead pushed Pakistan toward IMF negotiations, revealing a strategic preference for risk-sharing over unilateral rescue. This balanced approach safeguards China's CPEC investments while avoiding overexposure to Pakistan's fiscal collapse. Notably, CPEC loans represent just 30% of Pakistan's total debt, underscoring how Western creditors – not China – hold the majority of exposure in any potential debt trap.⁹²

Divisions in the business community

Beyond political divisions, fractures within Pakistan's business community reveal the disconnect between the CPEC's ambitious vision and the country's challenging economic realities. The original optimism surrounding the CPEC, envisioning it as a transformative force, has been tempered by bureaucratic hurdles, security concerns, inter-provincial rivalries, and the legacy of previous trade agreements that created winners and losers within the business sector. These systemic obstacles became especially pronounced in the CPEC's second phase, which focused on the development of SEZs, paving the way for its third and final phase of maturity. It is hoped that China, at this stage, will shift towards high-value manufacturing while outsourcing labor-intensive processes. Simultaneously, China's expanding middle class and e-commerce sector are driving demand for affordable goods, opening new export opportunities for Pakistan. Addressing connectivity challenges potentially enables Pakistan's better access to the Chinese market. This phase could also foster supply chain linkages between China's advanced industries and Pakistan's labor-intensive production, promoting technology transfer, skills development, and deeper regional economic integration.⁹³

The reality, however, is that the CPEC's second phase – focused on SEZs and the transfer of Chinese businesses to Pakistan – has stalled for several reasons. The COVID-19 pandemic, the contraction of the Chinese economy, and Pakistan's poor macroeconomic profile have all impacted investment decisions. This second phase represented a shift from state-to-state interactions to business-to-business engagement, with a focus on establishing SEZs. As of 2025 only Rashakai, Allama Iqbal Industrial City, Dhabeji, and Bostan SEZs have moved beyond the planning stage, with partial implementation in place. Progress has been hampered by bureaucratic hurdles, security concerns, and infrastructure gaps that have made Chinese investors hesitant to commit significant resources despite formal agreements between the two governments.

SEZs were originally envisioned as platforms for Chinese investment to leverage Pakistan's relatively inexpensive labor to produce goods destined for international

⁹¹ Faisal, interview, 23 February 2023.

⁹² Gibran Naiyyar Peshimam, "U.S. concerned about debt Pakistan owes China, official says," *Reuters*, 17 February 2023 (<https://www.reuters.com/world/asia-pacific/us-concerned-about-debt-pakistan-owe-s-china-official-says-2023-02-16/>).

⁹³ Butt, interview.

markets. However, Chinese entrepreneurs showed greater interest in tapping into Pakistan's domestic consumer market. This raised serious concerns among Pakistani businesses around unfair competition, stemming from preferential tax policies and state subsidies for foreign investors, as well as the risk of economic displacement.⁹⁴ This orientation by Chinese businesses aligns logically with Pakistan's historical economic policies, which have traditionally discouraged exports and promoted imports through an artificially overvalued rupee.⁹⁵ These structural economic issues were further exacerbated by the eventual collapse of the rupee and resulting economic crisis that forced Pakistan to seek emergency financial assistance from the IMF.

Pakistan's difficult business environment poses major hurdles for foreign investors, ranking 108th in ease of doing business.⁹⁶ While the BoI has tightened SEZ plot allocations to curb speculation, systemic challenges persist. Foreign firms face excessive red tape – including twenty-seven no-objection certificates from various agencies – only to have approvals such as Federal Board of Revenue (FBR) certifications arbitrarily revoked.⁹⁷ Policy unpredictability and frequent regulatory changes further discourage long-term commitments. These barriers, while challenging for local businesses, prove especially daunting for Chinese investors, stifling the CPEC's potential despite reforms.

These regulatory and operational frustrations are compounded by lingering concerns around Pakistan's trade relationship with China, shaped in large part by earlier FTAs. Past agreements heavily influence CPEC perceptions. The 2007 deal boosted bilateral trade by 242% by 2018 – six times Pakistan's global trade growth – but widened deficits as Chinese imports overwhelmed local exports. Critics blame weak negotiation for harming manufacturers and Western-linked importers.⁹⁸ The FTA revision in 2019, while improving Pakistan's trade terms, failed to resolve these longstanding concerns. China rejected unilateral concessions and demanded reciprocal benefits, leading to further dissatisfaction among Pakistani business communities. Many local firms remain wary that new Chinese investments will primarily benefit Chinese companies, exacerbating existing trade imbalances.⁹⁹

At the same time, the CPEC's uneven project allocation has deepened tensions between Pakistan's key economic hubs, particularly Punjab and Karachi. Business leaders in Karachi increasingly complained that CPEC benefits accrued disproportionately to Punjab, intensifying existing inter-provincial rivalries. The Karachi

⁹⁴ Iftikhar Ahmad and Zhou Taidong, *Special Economic Zones in Pakistan: Promises and Perils* (Islamabad: Pakistan Institute of Development Economics, 2020).

⁹⁵ IMF, *Pakistan: Request for an Extended Arrangement Under The Extended Fund Facility—Press Release; Staff Report; and Statement by the Executive Director for Pakistan* (Washington, DC: IMF, 2019) (https://www.finance.gov.pk/mefp/Pakistan_EFF_2019_22.pdf).

⁹⁶ "Ease of doing business must for growth as Pakistan ranking still down: FPCCI's BMP," *The Nation*, 3 February, 2025 (<https://www.nation.com.pk/03-Feb-2025/ease-of-doing-business-must-for-growth-as-pakistan-ranking-still-down-fpcci-s-bmp?utm>).

⁹⁷ Khokhar, interview.

⁹⁸ Nazish Afraz and Nadia Mukhtar, *China Pakistan Free Trade Agreement Phase 2: A Preliminary Analysis* (Lahore: CDPR, 2019) (<https://cdpr.org.pk/wp-content/uploads/2020/03/China-Pakistan-Free-Trade-Agreement-Phase-2-merged-final.pdf>).

⁹⁹ "China FTA nearly done," Karachi Chamber of Commerce & Industry (<https://www.kcci.com.pk/research/china-fta-nearly-done/> [accessed 25 July 2025]).

business community's import monopoly, primarily with the West, was potentially threatened by the CPEC, which introduced Chinese competition. Razzak Daud's criticism of the CPEC reflected Karachi's concerns of being excluded from projects, accentuating differences in the business communities. Punjab has completed or nearly completed five energy-related projects (Sahiwal power plant, the Karot and Azad Pattan Hydropower projects, the Quaid-i-Azam Solar Park, and the Matiari-Lahore Transmission line), two infrastructure projects (the Orange Line Metro and the Multan-Sukkur section of the M9 motorway), and the Allama Iqbal Industrial City SEZ. Meanwhile, Karachi's allocation was limited to the Port Qasim power plant, the Dhabeji SEZ, and the proposed Karachi Comprehensive Coastal Development Zone. This geographical imbalance in project allocation has fueled perceptions that the federal government's Punjab-dominated leadership has prioritized its home province at the expense of other regions, particularly Karachi, the largest industrial center in the country.¹⁰⁰ These perceptions of favoritism have deepened existing political divisions and complicated efforts to build a national consensus around CPEC implementation.

Gwadar and its SEZs lack clear strategic vision and competitive positioning, largely due to the military's dominant role in policymaking. While Gwadar's development has stagnated, SEZs in Gulf Cooperation Council states – such as Abu Dhabi's Global Market, Oman's Duqm SEZ, and Qatar's Ras Bufontas Free Zone – have moved ahead successfully. These zones offer investors special legal frameworks and sweeping exemptions from national commercial and civil laws, making them far more attractive. By capitalizing on their strategic locations, these SEZs have positioned themselves as key hubs connecting Eastern and Western markets, thereby reinforcing the Gulf's growing role in global trade.

The fundamental challenge for Gwadar lies in defining a distinct value proposition. Although it enjoys a favorable geographic location as a potential gateway to Central Asia, persistent security challenges and poor connectivity have discouraged both international investors and local entrepreneurs from Gwadar's cities, including Quetta and Multan, preferring instead to use Karachi's more accessible and developed port.¹⁰¹ To realize its potential as an industrial hub that can capitalize on Pakistan's low-cost labor, Gwadar must first address critical security, infrastructure, and governance deficits. In contrast, Gulf SEZs benefit from political stability, advanced infrastructure, streamlined regulatory systems, and strong integration into global trade networks; all areas in which Gwadar continues to fall short. This widening competitive gap raises serious questions about Gwadar's ability to attract meaningful investment without improving diplomatic relations with neighboring countries and fostering regional cooperation. By enhancing security, both at the local and national levels, and cultivating stronger ties with neighboring nations, Gwadar could create a more welcoming and secure atmosphere for international business and investment.

¹⁰⁰ "Energy Projects Under CPEC," CPEC Secretariat (<https://cpec.gov.pk/energy> [accessed 25 July 2025]); "Karachi Coastal Comprehensive Development Zone added to CPEC," *CPEC Portal*, 26 September 2021 (https://cpecinfo.com/karachi-coastal-comprehensive-development-zone-added-to-cpec/?utm_source=chatgpt.com [accessed 25 July 2025]).

¹⁰¹ Kakar, interview.

For nearly two decades, Karachi-based entrepreneurs have waited in vain for Gwadar to materialize as the “Dubai” promised by Musharraf. Through sustained lobbying of federal and provincial authorities, such entrepreneurs secured some concessions when the Balochistan government passed the Balochistan Finance Act in July 2023, establishing the Gwadar Special Economic Zone.¹⁰² Yet these measures failed to overcome Gwadar’s structural deficiencies, including unreliable utilities, security risks, and isolation from Pakistan’s economic hubs. Gwadar lacks Shenzhen’s advantages, offering neither incentives nor proximity to attract Karachi’s investors. Bitter experiences with Musharraf’s FTA have made local businesses wary of Chinese competition. With Karachi SEZ and Port Qasim providing better infrastructure and market access nearby, Gwadar’s high transport costs, security risks, and operational hurdles make it economically unviable. Foreign and local investors similarly prefer established Pakistani industrial zones over Gwadar’s underdeveloped and isolated location.

Conclusion

Taken together, these political, military, and economic dynamics reveal the underlying reasons for the CPEC’s underperformance. The China-Pakistan Economic Corridor was conceived as a transformative initiative to revive Pakistan’s economy through large-scale infrastructure, regional connectivity, and industrial development. As a flagship of Xi Jinping’s Belt and Road Initiative, it promised Pakistan an alternative to dwindling Western aid and the prospect of deeper integration into global trade networks. For policymakers in Islamabad and Rawalpindi alike, the CPEC symbolized not just economic uplift, but a new strategic anchor capable of reinforcing Pakistan’s sovereignty in an increasingly multipolar world. Yet nearly a decade on, the CPEC has largely failed to deliver on its lofty promises. Rather than fostering unity, growth, and institutional reform, the project has instead laid bare the entrenched dysfunctions of Pakistan’s political economy – marked by elite fragmentation, poor institutional coordination, and highly politicized governance processes.

From its inception, the CPEC was undermined by a pervasive lack of transparency. Agreements were negotiated behind closed doors, bypassing Parliament, provincial authorities, and civil society organizations. Even leaders who once demanded greater accountability, such as Imran Khan, ultimately perpetuated a culture of secrecy after taking power. Public scrutiny was treated not as a necessary safeguard for legitimacy, but as a threat to elite interests.

The military’s dominant role in steering the CPEC further narrowed its potential. Prioritizing strategic and security objectives over economic logic, the armed forces treated the CPEC as an extension of Pakistan’s hard power doctrine. In doing so, they sidelined provincial participation, alienated local communities, and ignored the development needs of marginalized regions. Gwadar – envisioned as the crown jewel of the corridor – became a heavily securitized enclave rather than a vibrant economic hub, deepening the very grievances the CPEC was meant to alleviate.

¹⁰² *Balochistan Gazette* (Extra-ordinary) ‘The Balochistan Finance Act 2023’, Act No V of 2023 (Quetta: Balochistan Government, 4 July 2023).

The imbalance in resource allocation exacerbated existing provincial disparities. While Punjab reaped the benefits of infrastructure and energy investments, provinces such as Balochistan and Khyber Pakhtunkhwa saw their developmental aspirations sidelined. Far from knitting the federation closer together, the CPEC amplified longstanding resentments, giving rise to insurgencies and protest movements that further destabilized the national fabric.

Political fragmentation compounded these problems. Successive civilian governments treated the CPEC not as a national project requiring broad consensus, but as a political trophy to consolidate their own power. Changing priorities, delayed projects, and policy inconsistencies undermined investor confidence, slowing down momentum just as Pakistan needed it most. In the absence of a unified national strategy, the CPEC drifted, caught in the crosscurrents of short-term political expediency and elite self-interest.

The business community's disillusionment mirrored the larger breakdown. Special Economic Zones – once heralded as engines of industrialization – remained largely on paper. Regulatory unpredictability, bureaucratic inertia, and infrastructural bottlenecks discouraged serious investment. Chinese firms, sensing these realities, largely refocused on Pakistan's domestic consumer market rather than building export platforms, intensifying fears among local businesses around unfair competition and economic displacement.

Economically, the CPEC's flaws reflect Pakistan's broader vulnerabilities. The early focus on imported-fuel energy projects deepened circular debt, while structural economic reforms were repeatedly postponed in favor of politically expedient quick fixes. The collapse of the rupee, exacerbated by external shocks such as the Ukraine war, exposed the fragility of the economic assumptions underpinning the CPEC's first phase. China's calculated restraint during Pakistan's financial crises – providing short-term support but avoiding deeper entanglements – signaled the limits of strategic patronage. While CPEC loans constitute only a portion of Pakistan's overall debt burden, Beijing's unwillingness to assume broader financial responsibility revealed that Pakistan's crisis would have to be solved through domestic reforms, not external bailouts.

Ultimately, the underperformance of the CPEC is not simply the story of a delayed infrastructure project; it is a symptom of deeper systemic dysfunctions. The CPEC has exposed a political economy in which short-term tactical gains repeatedly trump long-term strategic thinking, elite competition undermines national priorities, and institutional weaknesses sabotage even the most ambitious development initiatives.

Realizing the CPEC's original vision – or salvaging its remaining potential – requires a fundamental reimagining of governance structures in Pakistan. Inclusive policymaking, transparency, institutional strengthening, and a credible long-term economic vision are not luxuries; they are necessities if Pakistan hopes to break free from its cycle of dependency, crisis, and unrealized potential. Without such reforms, the CPEC risks becoming yet another monument to unfulfilled dreams – a cautionary tale for other developing nations entrusting grand ambitions to fragile political foundations.

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