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The Impact of China-Pakistan Economic Corridor on the Relations between India and Pakistan

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Abstract - China has made a large foreign investment in the China-Pakistan Economic Corridor also known as the China-Pakistan Economic Corridor, as part of its "One Belt, One Road" plan. The alliance between China and Pakistan will strengthen as a consequence of a $46 billion investment in cooperative projects slated to be completed over the next few years. Pakistan, on the other hand, will have a greater influence on China's standing in the international community. The China-Pakistan Economic Corridor (CPEC) also has an impact on India-Pakistan ties. It is a territory whose sovereignty has been disputed by India and Pakistan since 1947, and Jammu and Kashmir is vital to the transportation route between Pakistan and China. As a result, from a strategic standpoint, Jammu and Kashmir are critical. This seems to point to a less-than-ideal situation in which CPEC stresses an already strained relationship between India and Pakistan. This is not a desirable circumstance. On the other side, one might imagine a more optimistic future in which the conflict in Kashmir is finally over.

Keywords - China-Pakistan, Corridor, Relations, India.

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INTRODUCTION

The China-Pakistan Economic Corridor (CPEC) is an important part of China's foreign policy because it connects the country's efforts to build infrastructure along the Indian Ocean with those to build a "New Silk Road" across Central and South Asia. China has been pushing for years to develop the Balochistan Province of Pakistan, where the port city of Gwadar would serve as a meeting point for the two routes. When CPEC is finished, it will connect a network of highways, railroads, and gas pipelines that is around 3,000 kilometers long. Approximately $11 billion has been set aside for infrastructure projects as of right now. However, over $33 billion of the financing is earmarked for energy projects. Goals include easing energy shortages, boosting the economy, and creating space for new factories and business parks.[1]

Many internal political disputes in Pakistan have been sparked by the CPEC project. A dispute arose at first over the roadways and trains that would link From Gwadar to the north, China among the provinces and the political parties. The need for many routes has been generally accepted, as has the goal of increasing the number of aided states. It's still up for debate whether the "Which path, "western" or "eastern," should be finished first? The security of Chinese construction workers is a second concern.Throughout the CPEC project, thousands more Chinese workers and experts would be recruited to work in Pakistan. Separatist organizations in Balochistan, for example, have a history of targeting Chinese people with violence and abduction. In response, the military is prepared to send in a special security division to protect the Chinese community. The third problem is that China wants tax breaks from Pakistan in exchange for better financing and the ability to import equipment.[2]

CPEC and India-Pakistan Relations

The relationship between India and Pakistan will change as a result of CPEC. Northern Pakistan's Gilgit-Baltistan (GB) is where the corridor may be found. Both India and Pakistan claim Jammu & Kashmir as their own. New Delhi has claimed the erstwhile princely kingdom as its own since it joined the Indian Union in October 1947. whole territory as part of India. Therefore, the problem can only be resolved via negotiations with Islamabad. According to the Shimla Agreement signed between India and Pakistan in 1972, any disagreements between the

two nations must be settled by direct talks between the two governments. The erstwhile princely state of Kashmir is anarea whose allegiance is under question and will be decided by a referendum, which is why Pakistan refers to a succession of UN resolutions on the subject. Since 1947, India and Pakistan have fought four wars with each other, and three of them were over the Kashmir conflict.[3]

i. Possible Worst-Case Situation

The goal of the CPEC is to increase prosperity in Pakistan. In comparison to other South Asian nations like India, Bangladesh, and Sri Lanka, economic development in recent years has been sluggish. Pakistan may be able to raise its military budget if its economy keeps expanding. We may anticipate a ratcheting up of the weapons race with India as a result of this. Pakistani military forces, meanwhile, have hampered attempts to expand commercial ties with India. Military victories, such as the 1999 Kargil War, and significant terrorist attacks, like those that took place in Mumbai in 2009, have harmed the reconciliation between political groups that followed the 1999 Lahore process and the 2004 Composite Dialogue.[4]

ii. An Optimistic Case

On the other side, CPEC may serve to moderate tensions between India and Pakistan over the Kashmir dispute. New Delhi is against the corridor passing through Gilgit-Baltistan, a contentious region. It will have a direct impact on Gilgit-constitutional Baltistan's standing in Pakistan. Gilgit-Baltistan is regarded differently from the rest of Pakistan. Pakistan considers the Jammu and Kashmir area to be disputed territory because of its inclusion in Jammu and Kashmir and hence does not recognize it as a province.[5]

The China-Pakistan Economic Corridor

To many, the 3,000-kilometer-long CPEC trade connectivity network of roads, trains, and pipelines is the crown jewel of the Belt and Road Initiative (BRI) due to its enormous economic potential and geo-political importance. Connecting the undeveloped region of Xinjiang Uyghur Autonomous Region in China to the south-western point of Pakistan in Balochistan at Gwadar Port is one of the BRI's strings of connecting dots. [6], As a result of fresh agreements signed by Beijing and Islamabad during Prime Minister Imran Khan's visit to China for the opening session of the 2022 Winter Olympics, the original US$ 45 billion CPEC project has expanded to over US$62 billion. Jobs, improved infrastructure, increased foreign investment, and the possibility of Pakistan becoming a "regional commercial hub" are all benefits of the China-Pakistan Economic Corridor (CPEC), or as Balachandran puts it, "a multifaceted connectivity, investment, and trade initiative that includes expansion of rail and road networks, energy generation projects, port development, fiber-optic cable networks, and industrial cooperation."[7]

Chinese Investment Policy

China's strategies toward Asia vary from displaying naval aggression to challenging the post-war order in the Pacific to weaving a web of mutually beneficial economic links based on its trading prowess, all of which have the potential to make the country the center of a unified Asia. The leadership's thought was made apparent and conjecture was shut down by Xi Jinping's speech describing a new "Maritime Silk Road" at the APEC meeting in Bali in October 2013. Some analysts view the United States as a deus ex machina that must be examined in isolation, while others look at it in the more benign context of globalization and international interdependence. This has been made clear by the fact that China's foreign policy since 2002 has centered around the United States. Maintaining domestic stability and economic prosperity takes precedence over international policy for China. [8]

Foreign currency controls, licensing processes, and investment limitations have all been loosened by the Chinese government since the "Go Global" campaign was launched in 2001. Until 2003, only publicly traded companies could seek approval to invest abroad. From less than US$ 3 billion in 2003 to more than US$ 70 billion in 2011, ODI from China has grown dramatically. Private corporations like Lenovo are increasing their overseas investment even though state-owned enterprises continue to be the leading investors in the petroleum, construction, telecommunications, and shipping industries.[9]

The Pakistani Perspective

Pakistan's greatest success is enlisting China to help it find a quick and long-term solution to its chronic energy issue. The planned work would be an effort to repair Pakistan's aging electrical grid, a pressing and long-standing issue that, according to analysts, reduces the country's GDP by at least 2% annually. Projects using coal, nuclear, and renewable energy sources will add 10,400 MW to Pakistan's power infrastructure. [10]

A total of US$ 28 billion in agreements were inked between Pakistan and China on April 20 to launch 'early harvest' projects under the CPEC. Now that all of the paperwork for the US$28 billion in finance agreements has been signed, the agreements may move swiftly into the implementation phase. There are a 1000MW solar power park in Punjab, an 870MW hydropower project in Suki Kanari, a 720MW hydropower project in Karot, and 100MW, 50MW, and 50MW wind power projects in Thatta by United Energy Pakistan, Sachal, and Hydro-China, respectively. Additionally, the Chinese government is providing concessional loans for the second phase of the upgradation of the Karakorum Highway, the Karachi-Lahore Motorway, and the Gwadar Port east. [11]

CPEC is in India's Economic and Security Interests

Overcoming its antagonistic and rigid stance towards China and Pakistan, India's strategic choice to join CPEC must be constructed systematically and rationally. Because of the profound and enduring effect, it will have on regional security, this choice is of the utmost importance. A security covenant might develop from the short-term economic reliance signaled by India's choice, laying the path for lasting peace and stability in the region. The dovish figures who have been on the sidelines since the Hindutva Brigade assumed power under BJP's government may now get their opportunity thanks to this policy level détente. Some time off and a chance at peace is what fascist politicians in India who have lived off of hate speech for years need. If CPEC succeeds in laying a solid economic foundation between India, China, and Pakistan, India will reap the most benefits and may even overtake Pakistan in global prominence. [12]

METHODOLOGY

Deficient infrastructure, whether local or international, may put a serious damper on economic activity. Many areas of the globe's developing world have relatively high transportation expenses. Costs associated with transporting agricultural goods within a country may be inflated by factors such as the size and quality of the transport network. For coastal countries, inadequate infrastructure may account for as much as 60% of expected transport costs, while in landlocked economies, it may account for as much as 40%. There is evidence in the literature that indicates that improving land transportation infrastructure may help cut transportation costs in a few different ways. They cut down on fuel use, maintenance expenses, and overall vehicle upkeep. They cut down on travel time, which helps keep labor costs down. Because the same set of resources may do multiple tasks, they facilitate improved inventory management and boost transportation productivity generally. Enhanced efficiency in market clearing and competitiveness as a consequence of increased information flows, economies of scale, and new agglomeration patterns are only some of the economic gains that arise from improved transportation infrastructure. improved market access, network externalities, and regional variations in concentration patterns.

Model Description

As a general equilibrium model, the Global Trade Analysis Project is computationally tractable due to the inclusion of perfect competition, consistent returns to scale, and a wide range of geographical and economic variables. It makes use of comprehensive economic accounting for 140 countries/regions worldwide, along with in-depth industry connections. All areas and nations' bilateral trade interactions are discussed. The regional and sectoral linkages in GTAP are captured by using a completely consistent framework, as is the case with many other global CGE models. Modifications to trade policy and other economic factors are reflected in the model, illuminating the underlying facts and causes of economic development. The concept is based on the theory that actors like businesses and families may optimize their actions to get the best outcomes. Every agent just takes whatever price is set by the market, while households aim for maximum utility and businesses for minimum cost. The model assumes a representative agent exists, with the residential sector made up of an infinite number of infinitesimally small households and the industrial sector made up of an infinite number of infinitesimally small enterprises, all of which have the same budget shares or input-output ratios. Firms combine the five major elements of production with both local and foreign intermediate inputs to create the final product. The 'Armington elasticities' keep imports from different nations distinct from one another, allowing for varying degrees of substitution between regional imports and home output. All the market commodity prices and quantities, as well as the effects on personal income and GDP, are determined endogenously in a typical simulation of the consequences of transport infrastructure development.

Scenario Design

The first scenario is the "business as usual" case in which CPEC is not implemented, while the second is a policy scenario.

Economy throughout the globe in the year 2025 according to the BL baseline scenario. To do this, we continually expose economies to shocks in capital, labor, and population, so generating the optimal rates of GDP growth. The BL scenario is an accurate reflection of the predicted shifts in the global economy over the next several years. These shifts may be broken down into two categories: the first is macroeconomic projections for each nation or region, and the second is anticipated policy shifts. Gross domestic GDP, investment growth, capital assets, demographic, skilled labor, and unskilled labor forecasts were compiled.

We developed numerous policy scenarios to account for the shifts in the economic partnership between Pakistan and China brought on by CPEC's infrastructure-building initiatives. Expanding trade volumes, lower export prices for goods transported on land, and lower export prices for goods transported by water are all possible outcomes. In the next sections, we will examine the three possible policy outcomes:

- Trade Expansion Scenario
- Possible Futures with Cheaper Real Estate
- Lessening of Expenses on Land and Sea

RESULT

Effects on Broad Economic Indicators

Key macroeconomic indicators, such as GDP Growth, happiness, agricultural exports, quasi-exports, and more, are shown in their historical trends for both Pakistan and China in Table 1. Due to its less advanced transport infrastructure, Pakistan will get bigger GDP gains than China in any scenario. Under the trade expansion (TE) scenario, the expected real GDP improvements for Pakistan and China are around 0.191% and 0.008%, respectively. Increases in the amount of commerce with China seem to be a key factor in Pakistan's GDP growth, thanks in large part to improvements in the country's land transportation infrastructure. This means that countries like Pakistan would benefit greatly from improved land connections to China, particularly as a result of the multiplier effects of increased commerce with the country. Consistent with prior research, we found that investment in regional infrastructure positively affected GDP across the board. Evidence suggests that BRI nations' GDP growth rates will rise by between 0.1% and 0.7% as a result of investments in infrastructure.

Table 1: Impact on Economic Barometers

Scenarios	Countries	GDP (%)	Welfare (Million USD)	Agricultural Exports (Million USD)	Non-Agri. Exports (Million USD)
Trade expansion	China	0.008	1265.0	65.7	901.1
	pakistan	0.191	2064.9	46.85.4	4920.7
Land20	China	0.009	1441.0	93.4	1145.5
	pakistan	0.235	2272.9	5191.6	5564.6
Land35	China	0.009	1579.0	115.0	1332.7
	pakistan	0.262	2410.8	5599.4	6066.6
Land50	China	0.010	1719.0	137.5	1524.2
	pakistan	0.286	2543.3	6033.4	6584.4
LS20	China	0.009	1585.0	95.5	1176.7
	pakistan	0.273	2429.4	5961.7	6477.7
LS35	China	0.008	1700.5	116.7	1359.1
	pakistan	0.291	2529.7	6257.9	6827.5
LS50	China	0.01	1817.0	138.8	1545.2
	pakistan	0.307	2630.5	6565.3	7178.5

When we include the impact of a drop in export prices the scenario of increased trade activity (TE) GDP gains rise significantly, especially for Pakistan. In 2025, Pakistan and China may expect to have real GDP growth of 0.287% and 0.01%, respectively, under the Land50 scenario, which forecasts a drop in FOB prices between the two nations. This is based on the assumption that 50% of the bilateral commerce between Pakistan and China would be transported over land. Land35 and Land20 scenarios show that for Pakistan and China, respectively, decreased trade ratios by land transportation have an effect of 0.262% and 0.235%. Land transport expansion and seaport upgrades significantly raise the expected increases in GDP for both nations. In particular, it is estimated that Pakistan's real GDP would increase by 0.274% to 0.308% and China's by 0.009% to 0.01% as they go from a lower to a higher share of land-based trade (LS50).

Both Pakistan and China benefit from the GTAP model's estimation of the change in economic well-being due to the corresponding variance in income. Pakistan would benefit more (by USD 2.0 bn) from the trade growth scenario than China would (USD 1.3 bn) (1.3 billion USD). As a result of advancements in transportation and commerce, resources have been reallocated to increase overall productivity. Pakistan and China would save $2.5 billion and $1.7 billion, respectively, if 50% of their trade was handled by land transit and prices for FOB items were lowered. Land and sea linkages have had a profoundly favorable impact on the economies of Pakistan and China. Investment in infrastructure has been shown to decrease trade costs, which has a positive effect on people's livelihoods.

Effects on Sectoral Output

Information on shifts in different industries is another useful byproduct of CGE modeling. What sectors would be most affected by the policy, and how much structural adjustment may be required, as a result, may be inferred from how the economy's production structure shifts as a result of the policy.

Increased commerce as a result of CPEC-funded transit infrastructure development in Pakistan and China will lead to certain adjustments in the composition of local output, particularly in Pakistan. Under the TE scenario, agricultural production in Pakistan would increase by 2.13 percent, 1.20 percent, and 1.00 percent in the rice, fruit, beverage, and tobacco industries, respectively. Pakistan's wool (3.25 percent), cotton (1.31%), and other agricultural sectors (1.13 percent) drop the most under the trade-expansion scenario. All other industries in China grow by small percentages whereas rice and fruits decrease by 1.01 percent and 0.001 percent, respectively, in the same scenario. We found that China's results didn't match those of previous research that found agricultural production had decreased because of BRI infrastructure expenditure.

Table 2: Impact on crop yields in Pakistan and China (in percentage terms)

	Trade Expansion	Land20	Land35	Land50	LS20	LS35	LS50
Commodity	China Pakistan	China Pakistan	China Pakistan	China Pakistan	China Pakistan	China Pakistan	China Pakistan
Rice	-1.009 2133	−1.09 2.27	−1.149 2.369	−1.212 2.477	−1.202 2.452	−1.24 2.53	−1.288 2.6
Wheat	0.032 −0.021	0.02 0	0.035 0.005	0.036 0.011	0.035 0.003	0.04 0.01	0.036 0.012
Grains	0.015 0.888	−0.021 0.92	0.015 0.946	0.016 0.975	0.014 0.964	0.02 0.97	−0.005 1.737
Fruits	−0.001 1.203	0 1.34	−0.003 1.456	−0.004 1.578	−0.004 1.568	0 1.65	0.017 0.447
Vegetables	0.01 0.462	0.01 0.44	0.014 0.424	0.016 0.412	0.013 0.482	0.02 0.46	0.096 0.321
Oilseeds	0.085 0.294	0.08 0.31	0.09 0.315	0.092 0.321	0.094 0.311	0.09 0.32	0.041 0.6
Sugar	0.035 0.446	0.03 0.5	0.037 0.542	0.039 0.579	0.04 0.544	0.04 0.57	0.053 −1.606

Cotton	0.058 0.06	0.06 -1.38	−1.38 0.055	0.054 −1.518	0.054 −1.501	0.05 −1.55	0.298 −1.615
Other crops	−1.133 0.19	−1.133 0.19	−1.28 0.237	0.288 −1.515	0.205 −1.437	0.25 −1.530	−0.003 0.366
Ruminants	0.007 0.0295	0.0295 0	0.11 0.003	0 0.294	0.001 0.252	0 0.300	0.031 0.482

According to Table 3, most non-agricultural sectors in Pakistan would decrease while those in China will increase (although little). Industry in Pakistan is concentrated mostly in quasi minerals (2.04 percent), industrial manufacturing (1.15%), textile and garment (0.93%), and chemical, rubber, and plastic (0.5 percent) (0.91)sectors would also see decreases in output under the trade growth scenario. However, in China, non-ferrous metals, heavy manufacturing, and chemical, rubber, and plastic are the key industries experiencing an increase, although at relatively minor levels. Fewer industries exhibit distinct patterns under the trade growth scenario than under the reduced FOB price impact scenario. Certain industries in Pakistan, such as those dealing with ferrous products, experience growth rather than contraction under the trade-expansion scenario, while others, like those dealing with non-ferrous metals, experience a slower decline in output under land scenarios before experiencing growth under LS scenarios. This may be because, under land plus sea transportation growth scenarios, FOB costs are predicted to fall, making these industries significantly more attractive. The transition from an expansion of trade to a drop in export prices does not result in a corresponding reversal in the sign or magnitude of China's sectoral outputs.

Table 3: Non-agricultural production changes in Pakistan and China (percent)

	Trade Expansion	Land20	Land35	Land50	LS20	LS35	LS50
Commodity	China Pakistan	China Pakistan	China Pakistan	China Pakistan	China Pakistan	China Pakistan	China Pakistan
Other minerals	0.006 0.242	0.01 0.27	0.007 0.315	0.006 0.345	0.006 0.336	0.01 0.36	0.006 0.38
Coal	0.004 −0.006	0 −0.02	0.005 −0.02	0.005 −0.012	0.004 −0.01	0.01 −0.02	0.005 −0.012
Oil	0.003 −0.038	0 −0.05	0.004 −0.047	0.003 −0.052	0.003 −0.052	0 −0.05	0.003 −0.056
Gas	−0.001 −0.022	0 −0.01	−0.001 −0.024	−0.002 −0.025	−0.001 −0.025	0 −0.03	−0.002 −0.028
Extraction	0.01 −0.103	0.01 −0.11	0.011 −0.128	0.011 −0.138	0.012 −0.133	0 −0.97	0.012 −0.147
Textile+apparel+	0.014	0.01	0.006	0.003	0.003	0	0
leather	−0.933	−0.93	−0.934	−0.955	−0.952	−0.5	−0.994
Ferrous products Light	0.004 −0.438	0 −0.47	0.004 −0.49	0.003 −0.507	0.004 −0.491	0.01 −0.58	0.004 −0.509
Light	0.011 −0.393	0.01 −0.47	0.012 −0.517	0.013 −0.569	0.013 −0.546	0.02 −1.24	0.014 −0.619
Manufacturing Chemical+rubber + plastic	0.011 −0.392	0.02 −1.07	0.02 −1.173	0.021 −1.281	0.01 −1.146	0.01 −0.04	0.022 −1.333
Petroleum + coal products	0.008 −0.023	0.02 −0.04	0.013 −0.040	0.015 −0.04	0.012 −0.023	0.01 0.72	0.014 −0.046

Changes in the relative pay of skilled and unskilled workers would result from the CPEC-driven adjustments in sector outputs, and these changes would incur structural adjustment costs. Transportation system upgrades may have a moderate to low impact on production structures, with modest adjustment costs, according to significant output changes. Since Pakistan's economy is much smaller than China's, the country's output changes are more noticeable there, and certain sections there may require aid adjusting (though likely not much).

Because of this, the income difference between rural and urban areas may narrow. The higher earnings would also entice people to leave other industries and join Pakistan's agricultural industry. As a result, China's unskilled worker's salaries would increase higher than those of skilled workers. Maliszewska also showed that low-skilled workers in Pakistan will get more salary growth than high-skilled workers. In contrast to the Greater Mekong Subregion, where we found that increases in both skilled and unskilled salaries benefited urban families more than rural ones, we found the converse to be true in Pakistan.

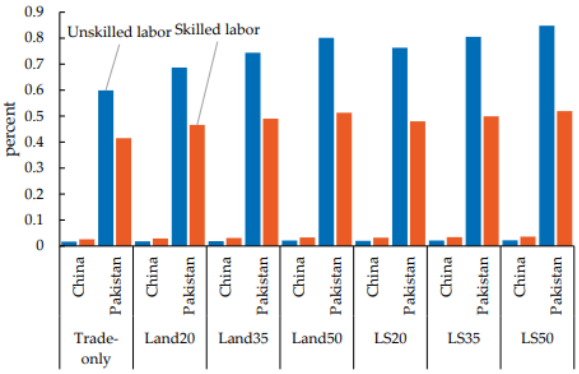

Figure 1: Wage shifts in both nations relative to a baseline

Pakistan and India Economic Relations: An Impression from the Past

When India and Pakistan gained their independence from Britain, they immediately started trading with one another. In the beginning, bidirectional trade accounted for a sizable share of overall trade between the two countries. More than 70% of Pakistan's trade was with India at independence, whereas 63% of India's exports went to Pakistan. From 1947 on, Pakistan sent as much as 30% of its exports to India, while just 10% of its purchases came from India. In 1951–1952, Pakistan accounted for 2.2% of India's total exports and 1.1% of India's total imports. Imports into Pakistan were up at 50.6% from India, while exports were at 23.6%. A standstill agreement was negotiated between Pakistan and India at the time of each country's independence, allowing for the unrestricted movement of goods between them without the payment of customs duties. India's refusal to contribute any of the export levies collected on jute led to the termination of this

agreement in less than three months. Therefore, on March 31, 1948, the terms of the Standstill Agreement no longer applied. This behavior undermined trust in the newly independent states. However, Pakistan and India concluded another trade deal in 1949 that removed export licenses from the equation for a wide range of goods crossing the Pakistan-India border. Because of these actions, the volume of trade between India and Pakistan expanded to 30% and between Pakistan and India to 60%, respectively.

On February 25, 1951, the two nations inked a new trade deal after bilateral talks helped them resolve currency difficulties. Pakistan and India inked another agreement in 1957 declaring that neither nation would be accorded less respect than any other third country. By 1963, the agreement was no longer valid. After the war in 1965, both nations placed embargoes on each other, effectively stopping all trade between them. Since other countries could now access Pakistan and India's markets, cross-border commerce was diminished and bilateral business was harmed. When bilateral commerce was interrupted, smuggling flourished, costing both Pakistan and India in lost taxes. In addition, third-party nations affected Pakistan-India commerce. The retail pricing of commodities from both nations was far greater than export revenues.Pakistan and India began commerce following the 1972 Simla Agreement. Both nations ended the trade embargo and gained from the new trade deal they negotiated. This economic agreement led to a US$ 3.8 million trade volume in 1975–1976 and US$ 24.04 million in 1988–1989, following Pakistan's restoration to democracy. The geopolitical situation has changed bilateral trade dynamics.

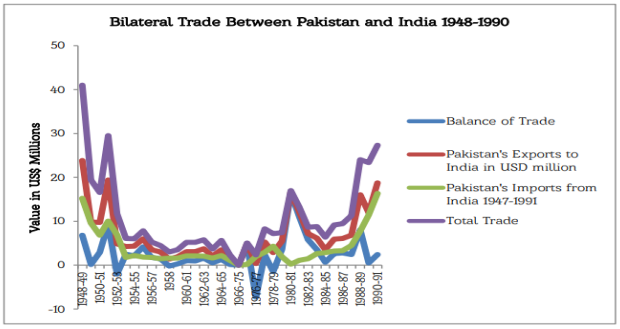

Figure 2: Pakistani and Indian Commercial Exchange from 1948 to 1999

Pakistan was granted MFN status by India after the WTO agreement and implementation in 1995. Nevertheless, political pressure at home prevented Pakistan from returning the favor. There was an annual growth rate of 7 percent in the value of bilateral trade between Pakistan and India, from US$ 122 million in 1995–96 to US$ 209 million in 2001–02. However, the outcomes of South Asian economic cooperation were delayed by political instability and conflict among the region's member states, most notably the ongoing rivalry between Pakistan and India. In addition to lowering tariff and non-tariff obstacles for its members, the SAARC Preferential Trade Agreement signed in 1995 also created a trade zone. The seven countries that make up the SAARC have decreased import duties and shared lists of products to which these preferences apply. That's why in that period the highest tariff rate in Pakistan went down from 125 to 65 percent, while the highest rate in India went down from 300 to 55 percent.

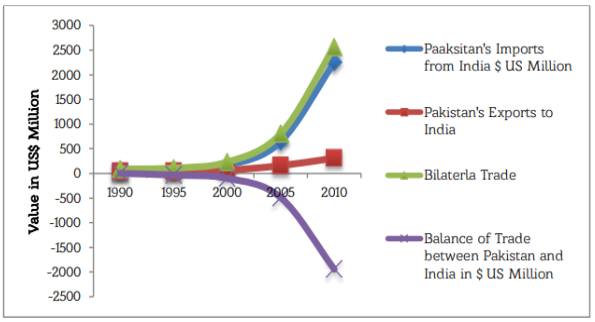

Figure 3: Business Relations Between Pakistan and India 1990-2010

To promote regional integration in the South Asian area, the SAARC nations ratified SAFTA on 1 January 2006, which was facilitated by SAPTA. Even while trade liberalization, para-tariff, and non-tariff barriers, sensitive lists, technical assistance to LDCs, and revenue compensation are SAFTA's main focuses, the deal also allows safeguard measures and the full or partial surrender of preferences.

CONCLUSION

The CPEC project is crucial to Pakistan's economic goals. The project's feasibility is still undetermined. China's official statements about Pakistan's economy have never matched up with the amount of money the country has spent on Chinese projects. Nonetheless, CPEC is expected to have a positive effect on economic development in the medium to long term, for example by assisting in the improvement of Pakistan's infrastructure and reducing the country's chronic energy issues. The CPEC project helps to further develop and improve connections between China and Pakistan. First impressions suggest that this may increase tensions between Pakistan and India. However, a shift in the national psyche is also underway in Pakistan. To take one example, Islamabad is beginning to realize that supporting terrorist groups in India and Afghanistan is no longer effective and has serious consequences for Pakistan's national security. China believes that the economic benefits of the CPEC project will contribute to reforming Pakistani society and bolstering moderate forces.

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