

Implications of China-Pakistan Economic Corridor: A Geopolitical Analysis with Reference to India

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Abstract

The China–Pakistan Economic Corridor (CPEC), a flagship component of China’s Belt and Road Initiative (BRI), has emerged as a significant determinant of regional economic and geopolitical dynamics in South Asia. This paper examines the economic rationale of CPEC, its regional implications, and its consequences for India’s strategic interests. Employing a qualitative and analytical approach based on secondary sources, the study investigates how infrastructure development, energy cooperation, and connectivity objectives intersect with territorial disputes, strategic competition, and regional security concerns. Particular attention is devoted to the corridor’s passage through Pakistan-administered Kashmir, which constitutes a fundamental source of India’s opposition. The paper further analyses India’s strategic response, including diplomatic resistance, enhanced defence preparedness, regional partnerships, and alternative connectivity initiatives such as Chabahar Port and the International North–South Transport Corridor. The study argues that the corridor presents both developmental opportunities and geopolitical challenges, with its long-term effectiveness dependent on economic sustainability, political stability, and regional security. It concludes that India requires a multidimensional strategy combining strategic autonomy, economic diplomacy, and regional cooperation to safeguard its interests.

Keywords: Economic Corridor, Belt and Road Initiative, Regional Connectivity, Multipolar, Geopolitical Competition.

1. Introduction

The growing importance of economic corridors in international relations reflects the close relationship between economic development, infrastructure diplomacy, and geopolitical competition. As a flagship component of China’s Belt and Road Initiative (BRI), the China–Pakistan Economic Corridor (CPEC) has become central to South Asian strategic debates. Connecting China’s Xinjiang region with Pakistan’s Gwadar Port through transport networks, energy projects, and industrial development, CPEC aims to promote bilateral cooperation and

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regional connectivity. Its significance, however, extends beyond commerce, raising questions about power relations, strategic interests, and the changing regional order.

For China, CPEC strengthens its partnership with Pakistan, expands infrastructure links, and supports economic engagement across South and Central Asia. Pakistan views it as a potential driver of modernisation, energy development, and improved connectivity. Yet governance problems, regional disparities, political disagreements, and security threats have complicated implementation. Thus, its long-term impact depends not only on geography but also on the political and economic conditions shaping development. India's concerns are particularly significant. New Delhi opposes CPEC because parts of its route pass through territories in Jammu and Kashmir and Ladakh under Pakistani control but claimed by India, making the project an issue of sovereignty and territorial integrity. It also raises concerns about China–Pakistan cooperation, maritime access, regional connectivity, and India's strategic position. This article examines CPEC's implications for India through geopolitical and geo-economic perspectives, assessing its strategic effects, regional consequences, and India's policy responses, including alternative connectivity initiatives.

2. Evolution of the China-Pakistan Economic Corridor

The evolution of the China–Pakistan Economic Corridor (CPEC) reflects the gradual expansion of Sino-Pakistani cooperation from strategic and diplomatic engagement towards large-scale economic connectivity. Although the corridor emerged as a formal development initiative during the 2010s, its foundations lie in the longstanding political, economic, and security partnership between China and Pakistan. Over time, this relationship acquired a stronger economic dimension as both countries sought to advance their national interests through infrastructure development, energy cooperation, and regional connectivity. The historical background of CPEC can be traced to the development of bilateral relations during the second half of the twentieth century. The construction of the Karakoram Highway, completed in the 1970s and opened to regular traffic in the 1980s, established an important physical connection between the two countries across the mountainous border region. This infrastructure project demonstrated the strategic importance of transportation links in strengthening bilateral cooperation. During subsequent decades, defence collaboration, diplomatic coordination, and economic engagement provided a foundation for more ambitious connectivity initiatives.

The emergence of China's Belt and Road Initiative (BRI) in 2013 created a broader framework within which CPEC could develop. China sought to expand trade connectivity, strengthen economic links across Eurasia, and improve access to maritime routes. Pakistan, meanwhile, viewed Chinese investment as an opportunity to address infrastructure deficiencies, overcome persistent energy shortages, and stimulate economic development. CPEC gained substantial momentum during Chinese President Xi Jinping's visit to Pakistan in April 2015. Agreements and investment commitments valued at approximately US\$46 billion were announced, establishing the corridor as a flagship component of the BRI. Its initial phase concentrated on energy generation, transportation infrastructure, and the development of Gwadar Port. Energy projects received particular attention because electricity shortages had constrained Pakistan's industrial production and economic growth. Investments in coal-fired power plants,

hydropower, and renewable energy were intended to strengthen electricity supply. Simultaneously, road development and improvements to transportation networks sought to facilitate the movement of goods and people. Gwadar Port acquired significance as a potential maritime gateway connecting Pakistan with international markets and supporting China's wider connectivity ambitions. As the initial infrastructure projects progressed, attention increasingly shifted towards converting physical connectivity into broader economic benefits. Industrial cooperation, special economic zones, agricultural development, and employment generation became more prominent in policy discussions. This transition reflected recognition that infrastructure investment alone could not guarantee sustained economic transformation without complementary productive capacity and institutional support.

However, implementation remained uneven. Financial constraints, administrative difficulties, security threats, and questions concerning the distribution of project benefits affected the corridor's progress. From approximately 2020, CPEC increasingly emphasised industrialisation, agricultural modernisation, technological cooperation, and socioeconomic development. Greater attention was directed towards special economic zones, business investment, and opportunities for Pakistani enterprises to participate in productive activities. Nevertheless, the extent to which these objectives have translated into sustained industrial growth remains an important question for further research. Security challenges, particularly in Balochistan, concerns about debt sustainability, and geopolitical competition have continued to influence implementation. India's opposition, rooted partly in sovereignty concerns regarding the corridor's passage through Pakistan-administered Kashmir, has also highlighted the initiative's regional political implications.

3. Economic Rationale behind the CPEC

The economic rationale of the China–Pakistan Economic Corridor (CPEC) lies in its potential to strengthen infrastructure, improve energy availability, facilitate trade, and promote investment between China and Pakistan. As a major component of China's Belt and Road Initiative (BRI), CPEC integrates transport development, energy generation, port infrastructure, and industrial cooperation within a broader framework of economic connectivity. For Pakistan, one of the principal motivations behind CPEC has been to address infrastructure deficiencies and persistent energy constraints that have historically affected industrial productivity. Investments in power generation and transmission infrastructure have sought to improve electricity availability, while road networks and logistics facilities aim to facilitate the movement of goods and reduce transportation barriers. Such improvements may support economic growth by lowering production costs and strengthening connections between domestic markets. However, the extent of these benefits depends on project efficiency, financial sustainability, and the capacity of domestic industries to utilise the improved infrastructure.

For China, CPEC offers opportunities to expand commercial engagement with Pakistan, develop transport connections towards the Arabian Sea, and strengthen economic activity in its western regions. Gwadar Port constitutes an important element of this strategy, although its potential to transform regional trade depends on the development of supporting infrastructure and commercially viable transport networks. CPEC also provides opportunities for Chinese enterprises to participate in energy, construction, and industrial projects. Nevertheless, the

corridor's economic rationale must be evaluated against its implementation challenges. Financing pressures, security concerns, delays, and weaknesses in domestic industrial policy may limit its developmental outcomes. Infrastructure investment alone is unlikely to generate transformative economic growth without complementary institutional and industrial reforms. Therefore, CPEC's economic significance rests not merely on the scale of investment but on its ability to generate sustainable productivity gains, employment, trade expansion, and mutually beneficial economic cooperation.

4. Regional Implications of the CPEC

The China–Pakistan Economic Corridor (CPEC) has significant implications for South Asian geopolitics, regional economic integration, and the strategic balance of power. As a flagship component of China's Belt and Road Initiative (BRI), CPEC extends beyond infrastructure development by connecting China's Xinjiang region with Pakistan's Gwadar Port. Its geographical position gives the corridor considerable importance in shaping regional connectivity, trade networks, and strategic competition. From an economic perspective, CPEC has the potential to improve transportation, energy infrastructure, and commercial connectivity between China, Pakistan, and the wider Arabian Sea region. Gwadar Port could facilitate maritime trade and strengthen Pakistan's position as a regional transit hub. However, the extent of these benefits depends on political stability, infrastructure utilisation, financial sustainability, and the development of complementary regional trade networks. Persistent security challenges and economic constraints may limit the corridor's capacity to achieve its projected regional benefits.

Strategically, CPEC has intensified India's concerns regarding China's expanding regional influence. The corridor passes through Gilgit-Baltistan, a territory claimed by India as part of the former princely state of Jammu and Kashmir. India consequently views the project as a challenge to its territorial claims and strategic interests. Furthermore, growing China–Pakistan cooperation may strengthen their strategic alignment, complicating India's security calculations and influencing the regional balance of power. CPEC also has implications for Afghanistan, Central Asia, and the Indian Ocean region. Improved connectivity could create opportunities for trade diversification and regional economic cooperation, provided political differences do not obstruct cross-border linkages. Conversely, competing infrastructure initiatives and geopolitical rivalries may reinforce existing divisions rather than promote regional integration.

5. Geopolitical Dimensions of CPEC

The China-Pakistan Economic Corridor represents a convergence of geo-economics and geostrategic, transforming bilateral cooperation into a spatial projection of power across Eurasia and the Indian Ocean. For China, CPEC operationalizes the western axis of the Belt and Road Initiative by providing an alternative maritime-land corridor that reduces transit dependence on the Malacca Strait and extends logistical reach to the Arabian Sea via Gwadar. This outlet enhances energy security, enables rapid deployment capacity, and institutionalizes a permanent strategic presence adjacent to critical sea lanes, thereby rebalancing China's Indo-Pacific posture.

For Pakistan, the corridor functions as both a developmental instrument and a foreign policy anchor. It addresses structural deficits in energy and transport while embedding Pakistan within a China-centric network of infrastructure finance, standards, and governance. This alignment elevates Pakistan's leverage in South Asia but simultaneously deepens asymmetry in the bilateral relationship, raising questions of fiscal sustainability and policy autonomy.

Regionally, CPEC reshapes strategic calculations. India perceives the project as traversing disputed territory in Gilgit-Baltistan and as an encirclement mechanism, which intensifies competitive dynamics in Kashmir and the Indian Ocean. Iran, the Gulf states, and Central Asian republics view Gwadar as a potential node for multi-vector connectivity, yet competition over port primacy and transit rents persists. Extra-regionally, the United States and its partners interpret CPEC through the lens of great-power rivalry, linking infrastructure expansion to concerns over debt diplomacy and dual-use facilities. Thus, CPEC is not merely an economic corridor. It is a geopolitical artefact that reconfigures alignments, contests territorial narratives, and materializes the spatial logic of 21st-century Sino-centric connectivity, with implications for sovereignty, security, and regional order.

6. Policy Implications for India

The China–Pakistan Economic Corridor (CPEC) has significant implications for India's foreign and security policy, regional connectivity, and strategic interests in South Asia. As a major component of China's Belt and Road Initiative (BRI), CPEC extends beyond economic cooperation by influencing the regional balance of power and China's strategic presence in India's immediate neighbourhood. The foremost policy concern for India is territorial sovereignty. The corridor passes through Gilgit-Baltistan, an area within the erstwhile princely state of Jammu and Kashmir that India claims as its integral territory. Consequently, India's opposition to CPEC reflects both its territorial position and its broader concern regarding the strategic consequences of Chinese investment in Pakistan-administered Kashmir.

Second, CPEC strengthens China–Pakistan strategic cooperation, potentially increasing the security challenges confronting India along its western and northern frontiers. Chinese investment in infrastructure and connectivity may also facilitate a more enduring Chinese presence in Pakistan, with implications for India's regional security calculations. This development encourages New Delhi to strengthen border infrastructure, intelligence capabilities, and defence preparedness. Third, CPEC requires India to reconsider its regional connectivity strategy. Rather than relying exclusively on opposition to Chinese initiatives, India needs to accelerate alternative connectivity projects, including the Chabahar Port and the International North–South Transport Corridor (INSTC). Greater cooperation with Iran, Central Asian states, and other regional partners could expand India's access to continental markets while reducing its dependence on routes influenced by China and Pakistan.

Furthermore, CPEC highlights the importance of economic diplomacy and regional partnerships. India can strengthen cooperation through the Quad, BIMSTEC, and other regional platforms while supporting transparent, financially sustainable, and sovereignty-respecting connectivity initiatives. CPEC presents India with a multidimensional policy challenge involving sovereignty, strategic competition, and regional economic integration. An

effective Indian response requires a combination of diplomatic engagement, military preparedness, infrastructure development, and diversified regional partnerships. Such an approach would enable India to protect its national interests while preserving its long-term objective of maintaining a stable and multipolar regional order.

7. India's Strategic Approach to the CPEC

India's strategic approach to the China–Pakistan Economic Corridor (CPEC) reflects a combination of sovereignty concerns, security considerations, and regional geopolitical competition. As a major connectivity initiative under China's Belt and Road Initiative (BRI), CPEC has compelled New Delhi to reassess its policies towards China, Pakistan, and the wider regional order. India's response has consequently evolved around diplomatic opposition, strategic balancing, and the development of alternative connectivity networks.

The principal component of India's approach is its opposition to CPEC on territorial grounds. The corridor passes through Gilgit-Baltistan in Pakistan-administered Kashmir, territory claimed by India as part of the erstwhile princely state of Jammu and Kashmir. India maintains that projects undertaken in this region without its consent raise questions of sovereignty and territorial integrity. Accordingly, New Delhi has declined to participate in the BRI and has consistently articulated its objections through diplomatic channels (Ministry of External Affairs, Government of India, 2017). A second dimension involves strengthening India's strategic preparedness. The growing China–Pakistan partnership has intensified Indian concerns regarding the possibility of coordinated pressure along its northern and western borders. In response, India has emphasised border infrastructure, defence modernisation, and strategic cooperation with like-minded countries. Its engagement with the Quad also reflects broader efforts to maintain a favourable balance of power in the Indo-Pacific, although the grouping addresses a wider range of regional challenges beyond CPEC.

Third, India has pursued alternative connectivity initiatives to protect its economic and geopolitical interests. The development of Chabahar Port in Iran and participation in the International North–South Transport Corridor (INSTC) demonstrate New Delhi's interest in expanding access to Afghanistan, Central Asia, and other regional markets through routes independent of CPEC. India's approach also involves strengthening partnerships with regional states and advocating connectivity based on sovereignty, transparency, financial sustainability, and mutual consent. In conclusion, India's strategic response to CPEC combines diplomatic resistance with selective strategic balancing and alternative economic connectivity. Rather than treating the corridor solely as an infrastructure project, New Delhi views it within the wider context of territorial disputes, China–Pakistan cooperation, and regional power competition. This approach seeks to safeguard India's national interests while preserving its strategic autonomy.

8. Critical Assessment of CPEC

The China–Pakistan Economic Corridor (CPEC), a flagship project of China's Belt and Road Initiative (BRI), represents an ambitious attempt to strengthen regional connectivity, infrastructure development, and economic cooperation. Nevertheless, its strategic significance extends beyond commercial considerations, raising questions concerning economic viability,

political stability, regional security, and the distribution of geopolitical influence. A critical assessment therefore requires examining both its developmental potential and its structural limitations.

From an economic perspective, CPEC offers Pakistan opportunities to improve transportation networks, expand energy infrastructure, and attract foreign investment. Improved connectivity could facilitate trade and support industrial development. However, the realisation of these benefits depends on effective governance, sustainable financing, domestic security, and the development of productive economic activities. Infrastructure expansion alone cannot guarantee long-term economic transformation, particularly where debt-servicing obligations and uneven regional development remain concerns. Geopolitically, CPEC strengthens the strategic partnership between China and Pakistan. Its proposed connectivity through Pakistan-administered Kashmir has generated strong opposition from India, which considers the territory part of the erstwhile princely state of Jammu and Kashmir. This dispute limits the corridor's potential to emerge as an inclusive regional connectivity mechanism. Furthermore, perceptions of strategic asymmetry and the growing Chinese presence in Pakistan complicate regional security calculations and contribute to mutual distrust.

CPEC also faces implementation challenges arising from political instability, security threats, administrative constraints, and questions regarding the equitable distribution of economic benefits. Local concerns over employment, land, resources, and provincial representation may undermine public acceptance if development outcomes remain uneven. Moreover, the corridor's long-term success depends on Pakistan's capacity to maintain financial stability and translate infrastructure investment into sustainable economic growth. Nevertheless, reducing CPEC exclusively to a geopolitical instrument would overlook its potential developmental benefits. Under appropriate institutional conditions, it could improve trade connectivity and strengthen economic exchanges across parts of Asia. CPEC represents both an economic opportunity and a source of strategic competition. Its ultimate significance will depend on its economic performance, political sustainability, and regional consequences. For India, it remains a challenge involving sovereignty, security, and connectivity, while its broader success depends on whether infrastructure development can produce inclusive growth without intensifying existing geopolitical rivalries.

9. Conclusion

The China–Pakistan Economic Corridor (CPEC) represents a significant intersection of economic connectivity and geopolitical competition in contemporary South Asia. Although its principal objectives include infrastructure development, energy cooperation, and trade facilitation, its strategic implications extend beyond economic considerations. CPEC has strengthened China–Pakistan cooperation while intensifying India's concerns regarding territorial sovereignty, regional security, and the evolving balance of power. The analysis demonstrates that CPEC presents both developmental opportunities and strategic challenges. Its contribution to regional economic integration depends on financial sustainability, effective implementation, political stability, and the equitable distribution of benefits. Simultaneously, its passage through Pakistan-administered Kashmir remains a fundamental obstacle to India's acceptance of the project. New Delhi's response, therefore, combines diplomatic opposition,

defence preparedness, strategic partnerships, and alternative connectivity initiatives, particularly through Chabahar Port and the International North–South Transport Corridor. Ultimately, CPEC illustrates how infrastructure initiatives can simultaneously promote economic cooperation and reinforce geopolitical rivalries. Its long-term significance will depend on whether developmental objectives can be reconciled with regional security concerns. For India, a balanced strategy integrating strategic autonomy, economic diplomacy, and regional cooperation remains essential to safeguarding national interests and promoting a stable, inclusive, and multipolar Asian order.

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