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Abstract

The Belt and Road Initiative (BRI) and its flagship project, the China-Pakistan Economic Corridor (CPEC), celebrated a decade of development in 2023. The extensive investments under CPEC offered prospects for economic growth in the region. The initial phase of CPEC was based upon a government-to-government (G2G) model by advancing bilateral and multilateral partnerships, which mainly focused on developing energy and infrastructure projects. The first phase was completed successfully, and the second phase is progressing slowly, hence requiring renewed commitment and policy reorientation. Mitigating security challenges to CPEC, industrial relocation, people-to-people contact, green energy, information technology (IT), and to explore business-to-business collaboration (B2B) have been on collaborative agenda in the recent interactions between Pakistan and China. This paper explains the potential factors that led to high-level visits in 2024 between the two countries especially regarding addressing challenges and expanding the scope of the project under CPEC 2.0 to maximise industrial base and achieve high quality development. This paper argues that Pakistan must follow a B2B model, integrating Pakistan's 5Es Framework based on Exports, E-Pakistan, Environment, Energy, and Equity &

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Empowerment with China's 5Cc framework of growth corridor, a livelihood-enhancing corridor, an innovation corridor, a green corridor and an open corridor, which could boost Pakistan's exports to China, ensure high quality development and rejuvenate economy. CPEC 2.0 success hinges on political stability, policy continuity, and curbing insecurity. By achieving these goals, the benefits of CPEC 2.0 can be fully realised, leading to substantial economic growth and regional development.

***Keywords**: CPEC, BRI, Business-to-business collaboration, Special Economic Zones, economic connectivity*

Introduction

As a pivotal project of the Belt and Road Initiative (BRI), the China-Pakistan Economic Corridor (CPEC) is a 3,000-kilometre corridor contextualised on the idea of advancing regional economic connectivity by fostering regional integration and linking the regions of South Asia, East Asia, and West Asia to create a community of shared future. CPEC connects the Xinjiang Uyghur Autonomous Region in Northwest China with Gwadar Port in Pakistan's southwest, strengthening economic bonds via energy, infrastructure, and trade enhancements. It provides Beijing with direct access to the western Indian Ocean. The project can be traced back to May 2013 when Chinese Premier Li Keqiang visited Pakistan.[1] However, it officially commenced in April 2015, focusing mainly on energy and infrastructure development. It has expanded to sectors like telecommunications, agriculture, and industrial parks, bringing significant economic growth and creating numerous jobs in Pakistan.[2]

Figure 1

CPEC Route via Gwadar Port from Synergic Foundation[3]

Under the first phase of CPEC, 27 projects, totaling $19 billion, have already been completed, while 63 more projects with a cost of $35.2 billion are expected to be completed by 2030.[4] It created 155,000 local jobs for Pakistani people.[5] Furthermore, the scale of Chinese investments has increased to $62 billion from $46 Billion, worth around 17 per cent of Pakistan's GDP, further boosting the strategic Sino-Pakistan collaboration.[6] The most significant contribution is the addition of 10,000MW to Pakistan's

generation capacity.[7] Currently, CPEC is driving forward with 24 infrastructure projects, of which six mega infrastructure projects were completed, including the Havelian-Thakot section of KKH, Multan-Sukkur (M-5) Motorway, Hakla-D.I. Khan Motorway, Optical Fiber Cable, Eastbay Expressway, and Orange Line Metro Train, 5 are under construction, 8 are in planning, and 5 are long-term projects.[8] Under the second phase of CPEC, 33 Special Economic Zones (SEZs) were to be developed in Pakistan, which could have led to significant industrial growth and economic development. Currently, 9 SEZ projects are under consideration, four are under construction, and five are in the planning stages.[9] The reasons for slow pace under in the second phase of CPEC have been the impeding economic activity due to COVID-19, escalating terrorist attacks against Chinese nationals, lack of capacity, and inability to enable an investment-friendly environment for relocating Chinese industries to Pakistan. This paper attempts to explain the following central question: what were the potential factors that led to high-level visits and engagements between the leadership of Pakistan and China in 2024? The second part deliberates how Pakistan can address these factors and align CPEC progress with China's five major corridors a livelihood-enhancing corridor, an innovation corridor, a green corridor and an open corridor and growth corridor with 5Es framework including E-Pakistan, Environment, Energy, and Equity & Empowerment to benefit the two countries better. The central reason for the visit of Prime Minister Shahbaz Sharif in June 2024 was to reassure Beijing of full-proof security for its nationals working in Pakistan and to find new avenues of strategic convergence for future investment. During the meetings, the two sides signed 23 agreements covering cooperation on CPEC,

agriculture, infrastructure, industrial cooperation, inter-governmental development assistance, market regulation, surveying and mapping, media, and film.[10] The full potential of CPEC 2.0 can only be harnessed when an environment of political stability, policy continuity, and curbing insecurity through effective intelligence and counter-terrorism operations are placed. The successful implementation of CPEC 2.0 can make Pakistan the hub of regional connectivity and prosperity in Asia.

Factors Leading to a High-level Visits between Pakistan and China

Complex security challenges

There are various internal and external factors creating complex security situation hampering progress of CPEC phase II. Escalating insecurity and the resurgence of terrorism, particularly in Khyber Pakhtunkhwa and Balochistan provinces are posing challenges to progress in CPEC. The attacks on Chinese citizens and infrastructure, like the March 2024 bombing, left five Chinese nationals dead when an explosive-packed vehicle rammed into their bus in Besham.[11] These incidents are a part of a troubling trend, including the deadly 2022 female suicide bombing at Karachi University and the 2021 bus explosion that targeted Chinese workers. The security challenges have increased following the return of Taliban government in Afghanistan in 2021. The terrorist groups such as the Tehrik-i-Taliban Pakistan (TTP) resurged on Pak-Afghan border in the Northwestern Pakistan and have intensified terrorist activities.[12] According to Centre for Research and Security Studies (CRSS), Pakistan recorded 1,533 deaths and 1,462 injuries from 789 terrorist and counter-terror incidents in 2023, with civilians and security forces

accounting for nearly 1,000[13] making fatalities the highest in six years, surpassing the 2018 figures, and the highest since 2017, as shown below.

Figure 2

Security Trends in Pakistan, 2023

Source: Center for Research and Security Studies, Annual Security Report 2023.[14]

Additionally, United Nations Analytical Support and Sanctions Monitoring Team report has warned about eight new training camps of Al-Qaeda in Taliban-controlled Afghanistan and is ramping up support for anti-Pakistan militants.[15] In Kunar province, one Al-Qaeda camp is reportedly providing training to

suicide bombers specifically to TTP member leading to attacks on Pakistani security forces.[16] Balochistan, the central hub of CPEC also recorded a staggering 96 per cent surge in violence in the first quarter of 2024, which is a stark reminder of the enduring threat posed by Baloch separatists.[17] Baloch insurgency also has linkages with the rising geopolitical tensions in the region, particularly between India and Pakistan, also threatening the successful implementation of CPEC. India's resistance to the CPEC can be seen as a strategic move in response to the alleged involvement of Indian national Kulbhushan Jadhav in espionage activities in Pakistan.[18] The case of Kulbhushan is a testament to India's objections to the CPEC as a deliberate effort to undermine economic interests in the region. India has repeatedly raised concerns about the security implications of the CPEC, particularly about its disputed territory of Kashmir.

Similarly, a global, nefarious campaign against the CPEC is at play, portraying the initiative as a Chinese debt project designed to benefit Beijing at the expense of Pakistan's economy. It argues that CPEC has burdened Pakistan with unsustainable debt levels, leading to concerns over sovereignty and economic dependency on China. The opposition to CPEC has gained momentum in international forums, with some hostile countries expressing apprehensions about the implications of China's strategic investments in the region. These threats highlight complex security challenges, requiring a comprehensive approach and coordinated efforts from all stakeholders to safeguard the prospects of CPEC 2.0 in promoting economic cooperation in the region. The rising security threats were one of the reasons for high level visits between Pakistan and China in June 2024. Mr. Liu Jianchao, Minister of the Central Committee of

the International Department of Communist Party of China on his visit to Pakistan in June 2024 stressed on addressing the security issues to restore confidence of Chinese investors for progress in Phase II of CPEC.[19]

Economic challenges

Pakistan has been experiencing economic stagnation since 2022 as repeated boom and bust cycles and the devastating floods of 2022 put the country in a vicious cycle of low growth, high inflation, and unemployment. Thus, the country is in a cycle of what economists call *stagflation*, where both inflation and low growth are evident. As per the Economic Survey of 2023-24, the country witnessed a low growth rate of 2.38 per cent[20] and is projected to slow down to an average of 2 per cent over the next five years.[21] Similarly, the fiscal deficit in the first seven months (July-January) of the FY 2024 increased to 2.6 per cent of GDP (i.e., Rs 2.721 trillion) against 2.3 per cent of GDP (i.e., Rs 1.974 trillion) last year 2023. With the economy expected to grow by only 1.8 per cent, calls for prudent belt-tightening measures by right-sizing loss-making state-owned enterprises (SOE) to control burgeoning fiscal deficit.[22] Moreover, the dwindling foreign exchange reserves and the domestic and foreign debt reaching Rs 67.5 trillion are becoming highly unsustainable for a lower middle-income country (LMIC) like Pakistan to keep its house in order.[23] Likewise, the government's sizeable external financing of $21.044 billion for the next fiscal year 2024-25, i.e., 5.5 per cent of GDP is needed to meet government expenditure.[24] Inflation is at a record level pushing 40 per cent of people to live below the poverty line.[25] Similarly, with the widening budget and current account deficits, FDI remains low and is weakening business

confidence. All of this paints a bleak picture of Pakistan's economy, a massive concern for Beijing, which has a primordial interest in Pakistan's economic stability. Moreover, the abrupt policy of devaluation and austerity has further skewed the investment environment making domestic investment costly for businesses. Due to these myopic policies, Pakistan has one of the lowest investments to GDP, with 13.1 per cent of its nominal GDP[26], and with national savings projected at 10.59 per cent, making Pakistan the least favourable for investment. The continuous macroeconomic deterioration is becoming a serious concern for Beijing which is worried about future investment under CPEC 2.0 and was one of the factors for the high-level visits.

The Problem of Low Productivity

Productivity is a cornerstone of economic success, yet Pakistan is struggling compared to its regional neighbours, China, India, and Bangladesh. Productivity in macro terms is the efficiency with which a country produces competitive goods and services using the least number of resources. Similarly, in technical terms, it is the output per unit of input and is the fundamental matrix by which these nations were able to build strong economies by attracting substantial foreign investment. Nations like China have leveraged their high productivity by integrating their economy into the global value chain and, by rightly harnessing their immense human capital in strategic sectors and have turned China into a global manufacturing hub. Likewise, India and Bangladesh have enhanced labour efficiency and capital utilisation and have positioned themselves as competitive players in international markets. Unfortunately, Pakistan lags behind its peer competitors and has one of the

lowest productivities in the world. The Penn World Table (PWT) underscores Pakistan as having the lowest labour productivity growth due to a weak capital-output ratio, with an average Total Factor Productivity (TFP) growth of just 1.6 per cent between 1971 and 2018.[27] This sluggish productivity is owed to the underutilisation of its economic resources. This has stifled economic development, widened the trade deficit, led to a decline in foreign exchange reserves, and increased dependence on external borrowing and aid. Hence, Pakistan is the least appealing destination for FDI, including the much-anticipated relocation of Chinese industries as part of the CPEC.

CPEC tremendously supported Pakistan's economy by filling the gaps of infrastructure and energy deficits. However, low productivity raises doubt about Pakistan's capacity to absorb the investment and benefit from relocated industries, which raises questions. In this context, visit by Pakistan's Prime Minister to China in June 2024 was particularly significant as it sought to reassure the Chinese business community that Pakistan is committed to reforming and addressing the structural issues of productivity and is taking concrete measures to improve the business environment for industrial investment. Pakistan aims to enhance its productivity and fully capitalise on opportunities of CPEC 2.0 by improving labour efficiency, boosting capital investment, and adopting new technologies. Without these improvements, Pakistan risks falling further behind its more productive neighbors and missing out on the benefits of this critical economic initiative.

Uncertain Political Environment and Policy Inconsistency

The progress of CPEC 2.0 is also affected by political uncertainty and policy inconsistency. Political polarisation and uncertainty about the political power composition and durability also affected the progress. Similarly, repeated corruption allegations by political parties[28], and alleged mismanagement rhetoric exacerbated public misconception that further compounded these issues. This made future Chinese investors wary of the future return on investment, thence creating an environment of uncertainty. Additionally, concerns raised by nationalist and sub-nationalist groups in Balochistan about the distribution of CPEC's economic benefits and the routes of its projects have highlighted the need for more inclusive and transparent decision-making processes.[29] In Gwadar, local protests for the basic amenities culminated in *Haq Do Tahreek* which highlighted the dissatisfaction of locals with the center's handling of the project, and drew attention to the lack of basic services and the perceived marginalisation of the community, further complicating CPEC challenges.[30] The post-2024 election led to the emergence of a weak government in the center which further exacerbated the political polarisation and uncertainty making Chinese investors wary to commit to the second phase of CPEC. Moreover, the unstable political climate raises serious questions about Pakistan's ability to meet its external debt obligations, particularly given the significant financial stakes involved in CPEC. China does not interfere in the internal matters of Pakistan. But Beijing remains concerned over the waning confidence of Chinese investors due to political uncertainty in Pakistan and so stressed for internal stability and development for

stimulating progress on CPEC. Efforts have been made to address China's concerns which was also one of the reasons for visits of Pakistan's officials to Beijing in 2024. Consensus of all mainstream political parties on CPEC was showcased at the CPEC Pakistan-China Political Parties Forum during the visit of Minister of the International Department of the Communist Party of China (IDCPC) and member of the Communist Party's Central Committee Liu Jianchao in June 2024. It demonstrated a rare political unity among all political parties assuring a broad-based consensus on CPEC irrespective of any of the political party comes into power.[31]

Prospects for Upgradation of CPEC and New Collaborative Measures

CPEC 2.0 offers opportunities for new collaborative measures in sectors such as modernising infrastructure, agriculture, industrial cooperation, green energy, tourism, and IT within the CPEC framework, opening up additional avenues for collaboration and growth. The 5Cs concept (growth corridor, a livelihood-enhancing corridor, an innovation corridor, a green corridor and an open corridor) in CPEC 2.0 and its integration into Pakistan's 5Es also encourage expanding collaborations in B2B arrangements. By creating a conducive business environment in Pakistan and charting a strategic framework between Chinese and Pakistani firms, both countries can benefit from increased trade, innovation, and job creation.

Development of Main Line-1 (ML-1) and Karachi Circular Railway (KCR) Project

Under CPEC 2.0, the key project considered was completing the Main Line-1 (ML-1) and Karachi Circular Railway

(KCR) projects, which could significantly boost Pakistan's infrastructure network. The China Railway Construction Corporation Limited (CRCC) categorises ML-I as a strategic project and KCR as an economically viable project.[32] The ML-1 project aims to connect Karachi in the south to Peshawar in the north. It will transform the existing railway track into a dual-track system while electrifying the entire line to modernise the 1,733-kilometer railway line from Karachi to Peshawar and Taxila to Havelian, increasing its capacity and efficiency, thus reducing transportation costs and promoting trade along the route.[33] Recently, the cost of the ML-1 project has been reduced from $10 billion to $6.8 billion.[34] Thus, making it feasible not only for both freight and passenger transportation but also promising valuable prospects of technology transfer, enabling Pakistan to develop expertise in railway construction and modernisation. Furthermore, the upgraded railway network will improve internal domestic connectivity within Pakistan, making travel easier, cheaper, and more efficient for people and businesses across the country.

Similarly, the prospects of initiating the KCR project will revive the city's urban infrastructure by providing a convenient mode of transportation for residents and easing traffic congestion. The estimated cost of KCR is US$ 1.9 billion, which will stimulate economic growth by connecting cities, creating job opportunities, and improving urban mobility in Pakistan.[35] These gargantuan projects under the B2B framework will transform Pakistan into an engine of prosperity by flourishing new markets and businesses along the western route of CPEC.

Agricultural Sector Development under CPEC

The agricultural sector in Pakistan offers substantial investment opportunities, driven by robust growth and potential collaboration with China. In fiscal year 2024, this sector grew by 6.25 per cent, mainly due to a 16.82 per cent increase in key crops like wheat, rice, and cotton production.[36] In 2023, China imported approximately $234.1 billion in agricultural products, highlighting a significant area for investment and collaboration on food security for both sides.[37] Pakistan can potentially benefit from China, a global leader in agricultural innovation, under its corridor of innovation in CPEC 2.0. This will significantly enhance Pakistan's agricultural yields through the transfer of cutting-edge technology, hydroponics, storage facilities, and mechanisation will lead to greater productivity which will lead to greater exports. Modernising this sector in Pakistan with advanced technology, capacity building, better infrastructure, and improved market connectivity can further boost agricultural growth, which could ensure food security for both states. Likewise, the Ministry of National Food Security and Research (MNFSR), in its 2018 Food Security Policy, envisaged the development of nine agricultural development zones along the CPEC.[38] This provides an opportunity for Pakistan to reduce its trade deficit by encouraging innovation, entrepreneurship, and collaboration in the agriculture sector via these SEZs which could serve as clusters and infrastructure platforms to export commodities deemed exportable to Chinese markets. Similarly, the CPEC 2.0 B2B framework will incentivise Pakistan's private sector to modernise its agriculture processes, by investing in research and development, improving human capital, seeking international

certifications, and meeting quality standards as expected by the consumers to increase the demand for its exports for China. In this instance last year, a $30 million (around Rs. 9 billion) joint venture was signed between China's Litong Foods and Pakistan's Guard Agricultural Research & Services on a business-to-business model.[39] China consumes approximately 150,000 tons of chilies annually, of which 60,000 tons are imported from India.[40] Frosty geopolitical shifts in the region have led Beijing to seek alternative sources for its chili imports, focusing on neighbouring Pakistan. Hence, a venture like this represents a potential expansion in investment opportunity for Pakistan to exploit, leading to increased chili exports. Similarly, enhancing this sector with modern water supply techniques like hydroponics can revolutionise irrigation efficiency and agricultural output, while also fostering innovative technologies and the cultivation of high-value crops. Hence, the agriculture sector poses an untapped area where strategic investment by China under CPEC 2.0 can lead to greater food security and prosperity for both coutries.

Prospects of Artificial Intelligence (AI) and Information Technology (IT) Development Under CPEC 2.0

Artificial Intelligence (AI) presents a significant opportunity to enhance efficiency and productivity in Pakistan. Tech giant Huawei's establishment of its global service center in Pakistan has resulted in the establishment of Huawei's Pakistan Global Service Centre (GSC), which serves the company's partners across the Middle East, Central Asia, and Africa.[41] Opportunities like these become more nuanced when E-Pakistan of 5 E's is aligned with the China corridor of innovation. This, in the future, can lead to collaboration in tax digitalisation, e-invoicing, revenue

automation, and IT applications, which could transform Pakistan's digital ecosystem and promote sustainable economic growth. In 2023, Beijing's digital economy has achieved an added value of 1.8 trillion yuan, accounting for 42.9 per cent of the region's GDP.[42] Moreover, China's Government Work Report 2024 stresses innovation and urges the combination of R&D and application in digital industries such as big data and AI.[43] Likewise, Pakistan's IT sector has shown promising potential, with IT exports reaching $310 million in April 2024, a 62.3 per cent increase from the previous year.[44] Thus, strengthening partnerships in this strategic area makes it another attractive sector for future Chinese investments, which could yield substantial dividends for both sides. Under President Xi Jinping's vision of upgrading the CPEC to the China-Pakistan Digital Corridor (CPDC) and establishing the China-Pakistan Intelligent Systems (CPInS) Lab at the National University of Sciences and Technology (NUST) in early 2022, in collaboration with the Guangzhou Institute of Software Application Technology, marked a significant strategic shift in Sino-Pakistan relation.[45] Thus, cooperation, expansion, and the establishment of more of such labs provide mutual benefit as China can harness and untap the booming IT industry in Pakistan. Like Kearney's Global Services Location Index in 2022, ranked Pakistan as the most attractive destination for outsourcing having 20,000 registered IT and IT-enabled services companies exporting to over 170 countries, the sector's growth has remained robust, as each year 75,000 dynamic IT graduates annually meet global standards.[46] Opportunities like these make Pakistan's IT sector a strategic investment area under CPEC 2.0.

Prospects of Mining Sector Development under CPEC

Pakistan is an ideal investment destination for mineral exploration as it covers 600,000 sq. kms with over 92 known minerals.[47] Despite the country being rich in mineral resources the sector's contribution to GDP remains abysmally poor at around 2.38 per cent.[48] This low contribution to GDP is due to associated challenges like the use of outdated extracting technology, poor infrastructure such as mine access roads and utilities, and a significant skill gap in the workforce. To unlock the full potential of this sector leveraging Chinese expertise and technology and integrating E' export with China's corridor of growth could significantly accelerate the development of Pakistan's mining sector. The government has identified 21 proposed mineral zones, including notable sites such as the Khewra salt mines in Punjab and proposed Mineral Economic Processing Zones in Sindh (Thar and Lakra for coal) and KPK (Dargai for chromite; North Waziristan for chromite; Kurram for antimony; Waziristan for copper; Chitral for antimony; Besham for iron ore and lead; Nizampur for iron ore; and Mohmand for marble).[49] The Saindak Copper-Gold Project in Balochistan, operated by MCCT Resources Development Company Pvt. Ltd. (MRDL), exemplifies the sector's potential. MCCT has proposed establishing a mineral industrial park in Pakistan, including copper, lead, and zinc refining and deep processing, adding significant value to mineral products.[50] Under CPEC 2.0 mining industrial parks will become increasingly feasible, in attracting investment in metal refineries and processing plants for products like wires, rods, and plates. Additionally, MCC Tongsin Resources, part of the China Metallurgical Group Corporation (MCC Group)—the world's

largest metallurgical construction contractor and operation service provider—plans to invest in Pakistan's mining sector.[51] These initiatives can improve productivity by enhancing product quality and will increase the sector's competitiveness on the global stage, ultimately driving higher FDI and export growth. Similarly, one window operations and ending the bureaucratic bottlenecks, this sector can become a viable player for mining sector development in Pakistan.

Renewable Energy Transition Under China's Green Investment and Finance Partnership (GIFP)

Circular debt remains a significant challenge in Pakistan's energy sector due to rampant grid inefficiencies, subsidies, tariff differentials, fixed capacity payments, power theft, and revenue losses in the distribution sector. Circular debt constitute the accumulated unpaid bills and outstanding payments within the energy supply chain, between power generation companies, distribution companies, and the government. The Ministry of Energy Power Division shows that circular debt increased by Rs. 84 billion in January 2024, reaching Rs. 2.636 trillion compared to Rs. 2.551 trillion at the end of December 2023.[52] Under CPEC, Pakistan has received substantial funding for coal-based power plants, with nine coal-fired power projects either under construction or operational, amounting to an investment of nearly $ 12.1 billion and a total capacity of 8.22 GW.[53] Four of these projects, costing $ 6.7 billion, are operational, while the others are in various development stages. However, in 2021, China announced a moratorium on overseas investments in coal-fired power projects, marking a significant step towards a green CPEC.[54] This shift aligns with China's "Green Development

Guidelines for Overseas Investment and Cooperation 2020."[55] This provides an immense opportunity for Pakistan to align its 5E's Environment framework with China's corridor of green energy under CPEC 2.0

While fossil fuels remain significant, under CPEC 2.0, a shift toward renewable energy sources like solar, wind, and hydropower to ensure long-term sustainability must be adopted. According to the German Watch, Pakistan ranks 8th among the highly vulnerable countries to climate change, despite its minimal contribution.[56] Thus, Pakistan must use every opportunity like China's Green Investment and Finance Partnership (GIFP), and Green Development Guidelines for Overseas Investment and Cooperation 2020 which offer a promising pathway for advancing sustainable development in CPEC projects. By leveraging expertise and resources of GIFP, Pakistan can accelerate the adoption of renewable energy technologies and untap new green financing mechanisms in the current CPEC coal-based projects. This will help both Pakistan and China fulfill their respective environmental pledges and drive economic growth, job creation, and greenhouse gas emissions reduction by prioritising renewable energy projects within the BRI framework.

Challenges and Way Forward

The rising insecurity and resurgence of terrorism in Khyber Pakhtunkhwa and Balochistan is a formidable challenge to progress of CPEC 2.0. This situation calls for the need to revisit the traditional counter-terrorism framework. The decision to establish a special protection unit is the right direction which must be complemented with a joint intelligence sharing framework between Pakistan and China. Thus, by implementing

holistic and comprehensive strategies Pakistan can counter the traditional and non-traditional threats to CPEC 2.0. In addition to reassessment of current strategies and building capacity of law enforcement agencies (LEAS) by equipping them with modern, sophisticated weapons, training, and intelligence-sharing can ensure security, Pakistan must also use the tactics of security mechanisms at community levels, use of technology for invisible security and increase people-to people engagements with China to ensure positive perceptions on both sides. To address the terrorism emanating from Pak-Afghan border, Pakistan must put pressure on the Afghan Taliban by proactively engaging regional neighbours and regional forums to persuade Kabul to act against terrorist groups in Afghanistan.

To deal with insecurity in Balochistan, kinetic measures like counter-terrorism and insurgent operations must be complemented with soft and meaningful approach by deeper engagement with Baloch communities especially with youth to truly understand their grievances. Islamabad must ensure that an environment of meaningful dialogue, and reconciliation is established via confidence-building measures. Meanwhile, solving the long decade's issue of Baloch missing persons is a key to weakening the insurgency.

As the political uncertainty compounded the macroeconomic challenges is evidenced by higher degrees of political instability resulting in lower growth rates of GDP per capita transmission and adversely affects growth by lowering the rates of productivity growth.[57] For the larger national interest of Pakistan, all parties and stakeholders should avoid vindictive polarisation and engage in a grand national dialogue to foster an environment for reconciliation and ensure political stability. A

legal framework for CPEC investments and constitutional cover can protect it from political pitfalls and will immunise future Chinese investment from policy inconsistency. Another option can be inking bilateral investment treaties (BITs) which can provide legal protection for Chinese investors and encourage greater confidence in investing in the host country. Similarly, the establishment of a single window operation and Special Investment Facilitation Council (SIFC) can play an instrumental role in attracting regional players into CPEC. Moreover, offering incentives like tax breaks, duty exemptions, and reduced bureaucracy interference to investors can facilitate more in advancing investment culture. Likewise, establishing preferential policies for foreign investors via platforms like SIFC can further augment in creation of an environment for investment.

Economic stagnation due to issues of low productivity, high debt, and low growth are irritants in the way of CPEC 2.0 success as analysed in this paper. Pakistan must ensure economic solvency by implementing sound economic policies in true letter and spirit. It must strive to break the conspicuous cycle of high consumption due to which it falls into a boom-and-bust cycle after an ever-high growth cycle. Likewise, to establish CPEC 2.0 on the B2B model it is crucial to reduce the footprint of the government which is 67 per cent. This can be done by undertaking austerity measures by privatising loss-making SOEs and investing in strategic sectors like agriculture, industry, mining, and IT under the SEZ framework which can bring immense dividends in the form of FDI. Similarly, offering information, assistance, and guidance to investors can rejuvenate the cash-strapped economy of Pakistan. Moreover, Pakistan should also renegotiate a favourable debt rescheduling or

restructuring with its creditors so that resources can be spent for growth. In this regard, broadening the tax net and lowering the budget deficit can be instrumental in putting the economy on the right track.

Pakistan is home to 240 million people of this total population; the youth occupy 63.9 per cent which is an immense resource as well as a bane for a country like Pakistan[58] considering that 26 million children are out of school and unemployment soaring to 31 per cent among undergraduate.[59] This calls for the government to shift its policies toward human development and untap this immense resource by equipping them with modern skills which is required as the skilled and trainable workforce brings FDI to various industries. Thus, Pakistan must invest in education and training programs so that CPEC 2.0 can be truly harnessed. Moreover, people-to-people interaction must be augmented by cultural exchange programs which can lead to better mutual understanding between both states. Almost 28,000 Pakistani students are studying various disciplines in Chinese educational institutions. Steps like these will foster an environment of trust and will help in building a narrative of successful China-Pakistan relations. Similarly, concrete steps must be undertaken by both sides to showcase the investments and the potential benefits and success that other investors could achieve in partaking in CPEC 2.0

Conclusion

CPEC 2.0 is the right step in the economic rejuvenation of Pakistan and it is a testament to Pakistan and China's strategic partnership. The challenges to CPEC phase II as discussed in this paper can be addressed through prudent policies. Pakistan must

address these rising challenges of insecurity by taking kinetic and non-kinetic actions. Moreover, continued political stability and policy consistency via a grand dialogue and framework can shield CPEC from political gimmicks and prevalent polarisation. Likewise, Pakistan must take concrete structural measures to address the ills of low productivity, stagnating economy, high debt, and burgeoning budget deficit by deregulating SOE. Furthermore, both countries must explore opportunities through new collaborative measures as discussed and enable an environment for a B2B framework. Likewise, investments under B2B frameworks in strategic sectors like agriculture, minerals, and industries can bring immense dividends by increased export and FDI. Similarly, soft image building between both nations via people-to-people interaction can bridge the cultural differences, maintain positive perceptions, strengthen mutual understanding to counter negative propaganda against CPEC and can glue both communities together. To sum up, the success of CPEC 2.0 hinges on addressing challenges and implementing new collaborative measures.

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