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THE CHINA-PAKISTAN ECONOMIC CORRIDOR (CPEC): THEORETICAL FRAMEWORKS AND PERSPECTIVES

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ABSTRACT

The establishment of the China-Pakistan Economic Corridor (CPEC) holds immense significance in terms of the economic and social progress of both China and Pakistan. To comprehensively evaluate the developmental impact of transport corridors, it is imperative to explore the CPEC project from various theoretical perspectives. This study aims to elucidate the theoretical foundations of CPEC by analyzing its interrelation with evidence-based policy, development theory, growth models, and economic theory. By scrutinizing the CPEC project through multiple theoretical frameworks, this research seeks to offer detailed insights into the implications and opportunities arising from this significant initiative for both nations.

INTRODUCTION

CPEC is a vast network of infrastructure projects spanning over 3,000 kilometers, linking Kashgar in western China with the Pakistani port of Gwadar. It is a transformative initiative largely financed by Chinese capital and loans, involving the construction and planned development of extensive and advanced infrastructure systems such as railways, roads, power plants, and an optical cable fiber network (Muhammad Ibrar, Mi, Mumtaz, Rafiq, & Buriro, 2018; M Ibrar, Mi, & Rafiq, 2016; Muhammad Ibrar, Mi, Rafiq, & Karan, 2016). Valued at an impressive US\$62 billion, it is the largest investment in Pakistan to date and is seen as a potential game-changer for the region.

This research aims to provide a detailed overview of the current status of the CPEC project and to adopt a multifaceted approach, incorporating various theoretical perspectives, to generate a nuanced understanding of its developmental implications and opportunities. The study will utilize a range of theoretical frameworks, including evidence-based policy, development theory, growth models, and economic theory, to provide a comprehensive understanding of the initiative's impact on both China and Pakistan.

THEORETICAL PERSPECTIVES

The study of economic corridors has resulted in the development of various theoretical perspectives, leading to extensive research. To gain a detailed and comprehensive understanding of the potential benefits of the CPEC for Pakistan (Ali, Daud, & Ibrar, 2021), this research employs a multifaceted approach that explores a range of theoretical frameworks, including evidence-based policy, development theory, growth models, and economic theory. This approach allows for a nuanced and in-depth analysis of CPEC and its implications for the region.

The selection of effective theoretical frameworks is crucial in promoting a clear and thorough understanding of the area of investigation. This facilitates the derivation of meaningful and useful outcomes from the research.

Evidence based policy

According to (M. Howlett, 2009), the application of evidenced-based policy is an essential framework utilized in the research industry. This method involves a methodical gathering, analysis, and assessment of information and data based on objective and verifiable evidence to derive sound and well-informed conclusions. By adopting an evidenced-based policy approach, researchers can produce detailed and insightful understandings of the subject matter, using a wide range of sources and applying rigorous research methods that adhere to established scientific inquiry standards. This approach allows for the derivation of empirically-supported conclusions that can be utilized to inform policy and decision-making.

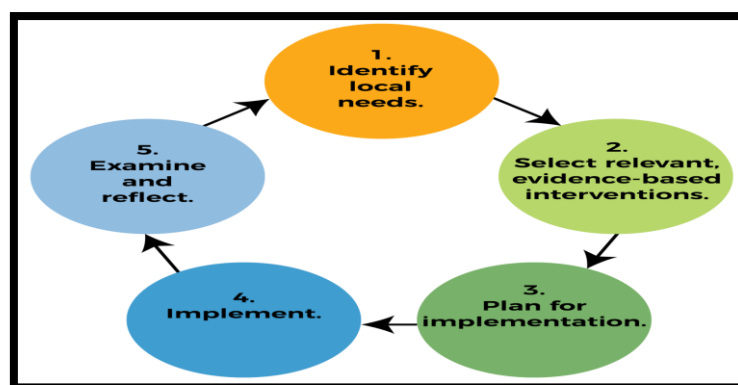


Figure 1 – Evidenced based policy – Source: (M. Howlett, 2009)

The economic corridor between China and Pakistan has resulted in an imbalanced trade volume, with China's trade volume far exceeding that of Pakistan. Pakistan has been facing significant challenges in achieving consistent growth in its gross domestic product (GDP) in recent times. However, recognizing the strategic value of Pakistan in the export business, China has taken proactive measures to establish and strengthen its ties with the country (Muhammad Ibrar, Mi, Rafiq, & Ali, 2019). To address this issue, China has conducted a thorough analysis of Pakistan's economic landscape and developed a comprehensive plan to support its economic progress. The implementation of evidence-based policy has played a crucial role in enhancing the effectiveness of the strategies and approaches pursued by both China and Pakistan, with the goal of promoting sustainable growth and development over the long term.

Development theory

In (Wang, 2017) view, development theory is an important framework for understanding various aspects of business and society. This theoretical approach focuses on psychological and organizational factors that drive economic growth and development. Within the context of the CPEC, development theory can provide useful insights into the mechanisms and strategies that can be used to promote sustainable and equitable economic growth.

China has taken a strategic approach in developing the CPEC, utilizing planning and technology to achieve optimal outcomes. Through collaboration with organizations in Pakistan and other countries, China has been able to maximize the potential benefits of the economic corridor (Muhammad Ibrar, Kakepoto, Manzoor, & Khan, 2022; Muhammad Ibrar, Mi, Mumtaz, et al., 2018; Muhammad Ibrar et al., 2019). By assisting Pakistan in developing its transportation infrastructure, China aims to address the trade imbalance between the two countries, recognizing its strategic importance to the overall success of the CPEC.

Development theory has played a crucial role in guiding China's approach to the development of the CPEC. This theoretical approach emphasizes the importance of a holistic approach that considers both psychological and organizational factors that drive economic growth. By utilizing this theoretical framework, China has been able to effectively promote the growth and

development of Pakistan within the context of the CPEC, ultimately leading to sustainable and equitable economic development for both countries.

Growth model

The growth model, also known as the dividend discount model (DDM) is a widely-used growth model in the business world that helps to determine the current and future value of a company's stock. According to (Glomm, Ravikumar, & Control, 1994), business leaders often face difficulties in identifying the most effective growth path for their organizations. This is where the DDM comes into play, as it allows for the analysis of factors such as stock value, profitability, and manufacturing expenses to better understand the company's growth trajectory.

Within the context of the CPEC, the DDM can be utilized to assess the growth and development of Pakistan's economy through the investments made by China. By using this model, authorities can monitor the impact of infrastructure projects, such as railways, roads, power plants, and optical fiber networks, on the country's GDP and overall economic growth. Through the evaluation of these factors, both China and Pakistan can make informed decisions to ensure the success and sustainability of the economic corridor.

Economic theory

The economic theory refers to a set of principles and concepts used to explain and predict economic phenomena, providing a framework to analyze economic problems and develop solutions based on an understanding of the economic system. According to (Wagner, 2016), the economic theory can be used to understand the complexities of the economic situation and develop effective strategies to tackle them.

In the context of the CPEC, economic theory can be applied to understand the economic benefits and challenges associated with the project. The CPEC is a major infrastructure development project aimed at connecting China's western region to the Pakistani port of Gwadar through a network of highways, railways, and energy pipelines. The project is expected to improve connectivity, trade, and investment between China and Pakistan, and promote regional development (Muhammad Ibrar, Mi, Karim, et al., 2018; Muhammad Ibrar et al., 2016).

The economic theory can be used to analyze the economic impact of the CPEC on both countries. For example, it can help understand the factors that contribute to the success or failure of the project, such as the level of investment, the nature of the infrastructure, and the trade policies of both countries. Economic theory can also be used to assess potential risks and challenges associated with the project, such as the debt burden on Pakistan, environmental impact, and geopolitical implications.

Economic theory provides a useful tool to understand the economic complexities of the CPEC project and develop strategies to maximize its benefits and mitigate its risks. Policymakers and stakeholders can make

informed decisions based on a sound understanding of the economic system and its underlying principles.

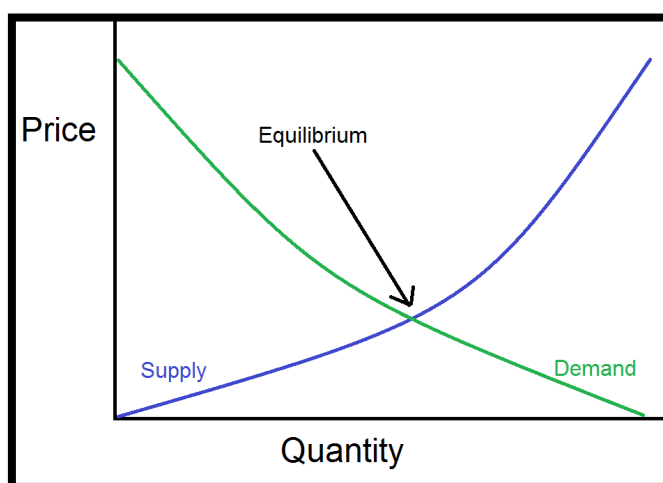


Figure 2 – Economic theory – (Source: Wagner, 2016)

In the context of the CPEC, the implementation of numerous infrastructure projects has necessitated the development of a robust organizational structure. According to (Muhammad Ibrar et al., 2022; Muhammad Ibrar, Mi, Karim, et al., 2018; Muhammad Ibrar et al., 2019), China has been instrumental in supporting Pakistan's efforts to enhance its transportation system, which is a critical aspect of the CPEC initiative.

The organizational structure aims to promote coordination and collaboration among the various stakeholders involved, including policymakers, investors, contractors, and local communities. Its objective is to ensure that the projects are executed efficiently and effectively, with a focus on achieving the desired outcomes within the set timelines and budget constraints. Achieving this requires clear delineation of roles and responsibilities for all parties, effective communication channels, and robust monitoring and evaluation systems.

In summary, the development of a sound organizational structure is vital to the success of large-scale infrastructure projects such as CPEC. It helps to ensure that the projects are executed in a manner consistent with the broader goals of economic development and poverty reduction, while also minimizing risks and addressing potential challenges along the way.

CONCLUSION

In the context of the China-Pakistan Economic Corridor (CPEC), various economic theories can be applied to assess its potential impact on the Pakistani economy and the region as a whole. The growth model can be used to analyze the expected profits, costs, and risks associated with the investments made under CPEC. This can help policymakers and businesses identify the areas where investments can be maximized and the costs can be minimized. Development theory can be used to understand the broader social and organizational context of CPEC, including the social and environmental impact of the project. This can help in identifying the potential challenges and

opportunities that may arise from the project and create strategies to mitigate the negative impacts and capitalize on the positive ones. Economic theories can help policymakers in understanding the complex factors that influence the Pakistani economy and its relationship with the global economy. This can aid in designing policies that are in line with the long-term economic growth objectives of the country. Finally, evidence-based theory can be used to assess the impact of CPEC on the Pakistani economy and its people. This can help policymakers in identifying the gaps in the project's implementation and tailor policies that can better serve the needs of the population.

The application of various economic theories is crucial for effective policymaking and business success in the context of CPEC. By understanding and applying these theories, policymakers and businesses can create effective planning processes and strategies that can help maximize the benefits of the project while minimizing the costs and risks.

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