



Advance Social Science Archives Journal

Available Online: <https://assajournal.com>

Vol.02 No.04, Oct-Dec, 2024. Page No.1267-1298

Print ISSN: [3006-2497](#) Online ISSN: [3006-2500](#)

Platform & Workflow by: [Open Journal Systems](#)



THE IMPACT OF CHINA'S BELT AND ROAD INITIATIVE (BRI) IN AFGHANISTAN ON PAKISTAN'S ECONOMY: A STUDY OF TRADE, INVESTMENT, AND REGIONAL CONNECTIVITY

Iram Abid

Lecturer in Pakistan Studies, Mirpur University of Science and Technology (MUST) Mirpur AK
iramabid.law@must.edu.pk

Arooj Aziz

Lecturer Department of Law, Mirpur University of Science and Technology (MUST) Mirpur AK
aroj.law@must.edu.pk

ABSTRACT

China's Belt and Road Initiative (BRI) has significantly reshaped regional economic dynamics, particularly in South Asia. This study examines the impact of BRI projects in Afghanistan on Pakistan's economy, focusing on trade, investment, and regional connectivity. As Afghanistan becomes increasingly integrated into the BRI framework, Pakistan stands to gain both opportunities and challenges. Improved infrastructure in Afghanistan can enhance Pakistan's trade routes, particularly via the China-Pakistan Economic Corridor (CPEC), offering potential economic growth through increased exports and investment flows. However, there are concerns regarding economic competition, security risks, and geopolitical realignments that may influence Pakistan's economic stability. This study evaluates the long-term implications of Afghanistan's BRI participation for Pakistan, highlighting both strategic advantages and potential constraints. It argues that while Pakistan may benefit from enhanced connectivity and trade facilitation, strategic policymaking is required to mitigate economic vulnerabilities. The study provides a policy framework to optimize Pakistan's role in the evolving regional economic order under BRI.

Keywords: Belt And Road Initiative, Afghanistan, Pakistan, China-Pakistan Economic Corridor, Regional Connectivity, Trade, Investment, Economic Impact, Infrastructure Development, Geopolitical Strategy.

Introduction

China has increasingly emerged as a pivotal actor within the South Asian region, a multifaceted development that is primarily driven by the substantial and strategic initiatives that it has launched to promote economic integration and advance regional development throughout this diverse part of the world. In pursuit of these critical objectives, China has launched its ambitious Belt and Road Initiative (BRI), which envisions and proposes significant investments across various critical sectors (Zeng and Zeng2021). With particular emphasis placed on enhancing transport

infrastructure, bolstering energy production, and facilitating growth within other sectors that are deemed essential for sustainable development, the BRI aims to create a comprehensive network that not only connects China with South Asia but also integrates various economies in an unprecedented manner.

This extensive program, characterized by its comprehensive and multifarious approach, is poised to leave a considerable impact on the economies of the South Asian nations and simultaneously enhance the level of regional connectivity among these nations. Such movements are significant as they may foster collaboration, mutual growth, and regional stability. In this specific context, Pakistan emerges as a prominent player, frequently described as an all-weather friend and a vital strategic partner for China in its various endeavors throughout South Asia. Located in the western segment of the region, Pakistan is currently experiencing profound levels of influence and transformation as a direct result of these substantial initiatives (Ali, 2022).

These initiatives are especially noticeable within the framework of the China-Pakistan Economic Corridor (CPEC), which serves as a key conduit for Chinese investment, infrastructure development, and economic partnership, ushering forth a new era of development in the country. However, the extensive scale and multifaceted scope of China's investments in Pakistan, along with their consequent impacts, have ignited a considerable degree of international debate and scrutiny, inviting various critical perspectives on the implications of this ongoing relationship.

Three primary dimensions of discussion arise as a direct result of this considerable investment strategy: the first dimension pertains to the transformation of trade structures, which harbors the potential to lead to a loss of trade competitiveness. This is largely due to the increased competition from imported goods that may flood the local markets, threatening domestic industries. The second dimension revolves around significant changes anticipated to occur within the employment landscape and the evolving patterns of foreign investment (Zhou & Li, 2023). As new sectors grow, job creation may increase; however, there is also the risk that local workers may find it challenging to compete with imported labor or capital inflow.

Lastly, the third dimension concerns the critical addition and enhancement of essential infrastructure, which could further solidify Pakistan's position as a potential gateway to the economically burgeoning Central Asia region. This infrastructure development could facilitate not only trade and connectivity but also open avenues for collaboration with neighboring countries, enhancing regional economic interdependence.

The principal focus of this in-depth analysis will be on critically examining the multifaceted cross-border impacts that stem from China's significant and strategic investment in Pakistan. We aim to thoroughly explore its remarkable effects on trade dynamics, emerging investment flows, and the overarching regional connectivity that

links Pakistan with the Central Asian states during this transformative period. (Ali et al., 2022) Special attention will be paid to the intricate and complex case of Afghanistan, given its geopolitical significance and historical ties with Pakistan.

This comprehensive analysis will delve into how these significant developments could potentially shape future relationships, strategic partnerships, and economic pathways within the broader South Asian and Central Asian regions. In presenting our findings, we will provide insightful perspectives into the evolving geopolitical landscape that continues to unfold in this vital part of the world, outlining both opportunities and challenges that lie ahead.

Background and Rationale

Although critiques often argue that the China-Pakistan Economic Corridor (CPEC) is likely to reinforce imperialist and neo-colonial policies, it is important to thoroughly recognize that this strategic partnership with China is nevertheless endowed with a plethora of promising and optimistic fortunes. These benefits are primarily attributed to the lucrative and advantageous economic and political outcomes that it solicits for both nations involved in this significant collaboration (Dong et al., 2024). Since the year 1947, the ties between Pakistan and China have been consistently nurtured and fostered on a trajectory that emphasizes a multitude of common strategic, economic, and military interests shared by both nations, resulting in a robust cooperative framework. These ties have been evolving, strengthening, and deepening significantly with each passing year, showcasing a remarkable degree of resilience and adaptability to the ever-changing geopolitical landscape and international dynamics in which both countries operate.

There exist numerous comprehensive economic and military cooperation agreements between these two countries that cover diverse and critical domains such as the economy, defense, research and technology, and infrastructure development. In many of these agreements, either one of the countries is making substantial and significant investments, which yield mutual benefits, fostering interdependence that can be strategically harnessed for greater regional stability and progress. Under the Eighteenth Amendment Article 251(a), which establishes a clear obligation to promote Urdu as the national language, various spheres deemed critical for the future of Pakistan emerge prominently. Thus, Urdu's adaptation and conformity present an impracticable and intricate challenge, showcasing the intricacies that further complicate the societal landscape, and underlining the immediate and pressing need for strategic solutions to these multifaceted linguistic and cultural requests and challenges. Considering this exceptional backdrop, a thorough and holistic understanding of the significance that this strategic partnership holds becomes

essential, emerging as not only imperative but also requisite and insightful under the quintessential analytical horizon.

This profound understanding enables stakeholders, policymakers, and regional experts to gauge its multifaceted, far-reaching impacts effectively. Currently, Pakistan finds itself lagging significantly behind in bilateral trade with China, particularly when compared to other regional powers that are more economically advanced. Pakistan aspires to foster deeper economic ties by effectively capitalizing on the dividends offered by CPEC. Doing so would help alleviate the prevailing import-export gap and improve the overall market conditions, a crucial necessity to support the burgeoning population and flourishing economy (Shah et al.2022). The lack of ample opportunities in various sectors has rendered rampant unemployment as one of the major pressing issues facing Pakistan today. This dire situation has contributed significantly to an overall sense of societal unrest and the destabilization of the internal environment in which the country operates. These challenging issues are exacerbating poverty levels across communities, which in turn leads to increased discontent among the populace. The urgent need and demand for energy within Pakistan is sharply escalating, as the continuous growth of the population and industrial expansion create an insatiable appetite for energy resources. Unfortunately, proactive steps taken to fulfill this burgeoning energy demand have been frustratingly slow and are currently not keeping pace with the requirements of an advancing economy. The entry point to South Asia for regional economic integrated development aims not only to bring prosperity to neighboring countries and the region but also to provide abundant opportunities for collaborative growth and development among nations (Javed et al., 2021). This ambitious initiative strongly influences economic interactions that extend all the way through Africa, Europe, the Middle East, and Southeast Asia. These interconnected interactions are linked through an intricate web of connected sea routes and dry land routes, which include extensive networks of roads and rail systems, electric grids, optical cables, and pipeline networks that facilitate seamless connectivity.

This interconnected infrastructure forms a tightly knit regional economic tensor network that fosters synergy among nations engaged in this dynamic economic landscape. Moreover, the rapid economic growth and urbanization rates seen in China are comparable to those noted in other populous neighbors, such as Afghanistan and Pakistan. This showcases a distinct pattern of development that can potentially benefit all involved nations through mutual cooperation, collaboration, and coordinated efforts across borders. With shared borders and the strategic China Southeast Sea, discussions involving Afghanistan, Pakistan, India, Russia, Korea, and Japan illustrate the geopolitical landscape's similarities to that of the Mediterranean Sea, facilitating

robust connections throughout Europe and binding together a vast multitude of nations, including diverse states located in Africa.

This expanded connectivity significantly enhances opportunities for trade, collaboration, and the sharing of invaluable resources, spurring economic growth and stability. Because of its extensive geographic coverage, economic magnitude, variety of destination states, and strong inducement towards enhanced connectivity, the development of the bunko road possesses the profound capacity to dramatically reshape global trade patterns and enhance interconnectedness across nations (Liu et al., 2024). In this mode, a comprehensive sea route and land route network can effectively cover substantial geophysical and geopolitical expanses, further promoting economic cooperation. Moreover, it accentuates various paradigms in connectivity approaches that encompass hub selection, transshipment mechanisms, route choices, and modes of transport, ensuring optimized efficiency. Collectively, these factors will help define and redefine new dimensions in the realm of international trade, cooperation, and sustainable mutual growth among nations eager to embrace the inevitable globalization and economic integration that lie ahead in the current era.

The Belt and Road Initiative (BRI)

The Belt and Road Initiative (BRI), manufactured by Xi Jinping in September 2013 and established by the National Development and Reform Commission of the People's Republic of China in March 2015, has emerged as a significant comprehension vastly. Through this initiative, China insured the involvement of 68 different states under the umbrella of trade, investment, and regional connectivity. The initiative Belt and Road Initiative (BRI) is encompassing two actual plans. One is the land route, the Silk Road Economic Belt that inquires to drive from the east of China to Europe. The other is the sea route, the Twenty-first Century Maritime Silk Road that tries to connect to South Asian countries (Rehman & Noman, 2021). The countries that are visage to the South China Sea and the Indian Ocean will be closely connected. The initiative of the BRI is likely to meet the needs of Pakistan in the sectors of trade, investment, energy, and infrastructure. Considering this, the overarching goal of this study is to examine the impacts of the Belt and Road Initiative on Pakistan's economy. The dependent variable of this study is Pakistan's economy, while the independent variables comprise the trade, investment, and regional connectivity under the Belt and Road Initiative.

The BRI aspires to overhaul the status of enormous infrastructure and form new trading fibulas. The main goals of BRI are to a) ease investment and trade in between two countries b) linked together to the global production centre and market c) boost multilateral trade links d) accommodates the positive impact on economic growth (Chen & Li, 2021). Since then, it has taken the Course of the firm strategy driven by raised financial and commercial coop and has a revival interest in the Asia region. This

describes the countries for the focal interest of a study and at the same time, it also discovers aggregates measures of the BRI project involving focusing on the trade, investment, and infrastructure sector.

China's Economic Relations with Afghanistan and Pakistan

Two regional projects of China along the Silk Road passing through Pakistan are the BRI and the PEACE. In the years 2013 and 2014 Chinese state leader Xi Jinping announced about the BRI which is an international development project implemented by the Government of China involving infrastructure development and investments in various countries and international organizations. Afghanistan and Pakistan should both require individual research studies about the BRI effect on their countries, but it is important for the flourish of some emerging initiatives. Following previous research, Pakistan and Afghanistan need to improve BRI beneficial common practices and projects at the level of private, governmental and formal institutions (Qian2022). BRI supports the connectivity and integrates further socio-economic policies of China's partners through an open perspective. BRI, which is also included in this project, is an ongoing global program, will be continually analyzed, inspected, and criticized, and it will at best also bring a major change in global trade, growing economies, and sustainable development throughout regions. China with the need for substantial coordination and cooperation should overcome the political disputes and regulatory inconsistencies of BRI partners, along with multilateral and bilateral Western economies to build a win-win outcome.

China is the close neighbor of Afghanistan and Pakistan, and both regions have caused deep strategic thinking in China. Many experts advise China to open an alternative trade route if the BRI does not entirely pass through Pakistan. This suggests an alternative trade route project also named the Pacific route. The strategic policy of Pakistan, mainly the CPEC agreement with China, was initiated by Musharraf, but at its time implementation was impossible. The project officially started in 2013 in Pakistan, but it went on only halfway (Fang et al.2023). The BRI consists of several different projects, and among them is one related to PEACE. So far, there is no precise written agreement, signed or tempting understanding on PEACE. But if PEACE is effectively launched with a similar agreement to CPEC, it can have a significant impact on Afghanistan's economy.

Impact of Infrastructure Development on Trade and Investment

In recent years, under the vision of shared prosperity, the Belt and Road Initiative has influenced the global trade routes and regional economic development remarkably. Roughly 65 countries are either participating in or benefitting from the initiative in Asia, Europe, and Africa. The grand initiative is successfully integrating, interconnected infrastructure throughout the region to foster sustainable development, demand

trade, peace, engineering, and the mutual preservation of an open world economy (Chen et al., 2022). In the globalized world, each economy, especially in the area of Cox's Bazaar, is deeply interconnected with other economies, and the economy of Afghanistan is of no exception. As a less developed, post-conflict economy, its economic stability largely depends on the economic growth of its adjacent economies, such as Pakistan.

Afghanistan is situated in a geographically vital location, and its economy is closely connected to Pakistan's economy. However, the Afghan-Pakistan trading activities were often disrupted due to political instability and insecurity. Moreover, Afghan raw opium is often processed to heroin and transported through Pakistan to other parts of the world. Such practices pose multifaceted challenges to Afghanistan, including economic instability, violence, and drug addiction, among others. However, with Pakistan's aspiration to enhance the trading activities with Afghanistan, it has sought to incorporate Afghanistan into the corridor map; where, a Pillow of Corridors will connect Afghanistan through motorway and railway, and the positions of Torkham, Chaman, and Spinboldak will be modernized with the trade and health infrastructures and customs centers. On the other hand, as a post-conflict economy and underdeveloped nation, China's investment and regional connectivity are equally significant for Afghanistan.

The Belt and Road Initiative in Afghanistan

The Belt and Road Initiative (BRI) is a strategy presented by Chinese President Xi Jinping to help enhance inter-governmental economic cooperation between mainland China and the rest of the world among countries in Asia, Europe and Africa. The aim is to strengthen investment, trade, and infrastructure development in these countries. In order to understand the impacts of this strategy, it is important to get a clearer picture of the specific projects that are currently being pursued under the BRI and their possible implications for nearby economies. Moreover, the application of a quantitative model could add rigor and reliability to the analysis of these possible impacts. Such a combination of empirical analysis with numerical quantification has not been done before.

In recent years, several economists and policy makers have looked into the possible impact of the BRI in Eurasia under the official endorsement of the PRC's government (CHAN, 2018). However, no precedent exists for such a large-scale initiative. The Great Silk Road network, connecting mainland China with the Middle East and Europe through Central Asia, has lost its importance for mainland China's trade for centuries. The current BRI strategy displays new traits that differentiate it from the Great Silk Road network. The Western Belt is a sea route, namely the "21st Century Maritime Silk Road". The core hub is adjacent to mainland China's territory.

Historical Overview

The Great Game of Afghanistan holds profound implications for global geopolitics, intricately entwined with a myriad of regional and international security concerns. This historical competition primarily involved the formidable powers of Russia and the Anglo-Saxon forces, who fervently engaged in a relentless struggle for influence, hegemony, and control over this strategically vital and crucial region of the world (Barna, 2024). The stakes were exceptionally high, given Afghanistan's pivotal location and its role as a crossroads for various trade routes and cultural exchanges throughout history.

The contemporary Great Game encompasses not only the intricate dynamics of international relations but also a significant layer of intense economic competition that includes various critical factors such as domestic politics, the flow of exports and imports, ever-changing currency dynamics, market capture strategies, and the complexities involved in foreign investment approaches. Among these numerous interrelated elements, however, the most dominant economic aspect of the Great Game is undoubtedly the intricate web of trade relations that play a crucial role in influencing global markets and shaping economic alliances between nations (Patel, 2021). This complex interplay ultimately affects global economic stability and facilitates ongoing transformations within the international landscape.

Naturally, Pakistan insulates Afghanistan from the sea and provides the shortest land route to the world through Gwadar port. Nonetheless, Pakistan blocks the landlocked country with the artificial restrictions on imports, exports, and transit trade issues of Afghanistan. Furthermore, after 9/11, Pakistan establishes a policy to control the Afghan trade. Due to the trade, several domestic industries of Afghanistan have been closed and the unemployment rate boost up. On the other hand, culture of rent-seeking has been increased in Pakistan and occurred by sustaining not only one degree but also 2 and 4 degree losses in economy of Afghanistan on yearly basis.

Key Projects and Investments

To implement the Belt and Road Initiative (BRI) in Afghanistan, a pivotal strategic cooperation agreement focused on developing a land transport network was established between China and Afghanistan in 2016. This agreement emphasized that China would enhance security cooperation with Afghanistan and actively support efforts to improve its capabilities to combat terrorism more effectively. Trade activities between China and Afghanistan can be facilitated by utilizing Pakistan, which possesses significant geographic advantages that can serve as an optimal bridge. Consequently, China, Afghanistan, and Pakistan have convened a Foreign Ministers' Dialogue aimed at promoting a variety of trilateral cooperation initiatives (Tian et al.2024). This collaboration holds the promise of markedly improving the convenience

and security of land transport routes, as well as opening up an array of opportunities for enhanced cooperation among the three nations. These opportunities encompass cooperation in energy resources, efforts to combat terrorism, and pathways toward common economic development.

In a bid to bolster domestic stability in Afghanistan and tackle the persistent threat posed by terrorism, China has proposed a comprehensive package designed to improve the economic conditions and enhance the livelihoods of the people in Afghanistan. This package is composed of six major sub-packages aimed at fostering agricultural development and providing vital support. Specifically, a model farm will be established in Nangarhar Province to serve as a benchmark for agricultural practices. (Tahir & Hussain, 2022) Additionally, an orange plantation initiative is set to be launched across two provinces, promoting fruit cultivation and sustainability. In tandem, provisions will be made for a flood-resistant, disaster-prevention-oriented farm in Lowgar Province, reinforcing efforts to mitigate environmental challenges. Furthermore, agricultural equipment sets will be distributed to various provinces free of charge, promoting modern farming techniques. The agricultural projects funded by Chinese grants will benefit from exemption from import tax to facilitate smoother operations; moreover, skilled agricultural experts and technicians will be dispatched to these regions to provide essential guidance and support.

A significant total has been allocated to back the establishment of small irrigation projects within Afghanistan, emphasizing the commitment to enhancing agricultural productivity. China also intends to extend security training courses to enhance Afghanistan's capacity to maintain a stable security environment. This initiative is part of an ongoing security dialogue between China and Afghanistan that has been in place since 2012, aiming to foster greater security cooperation. Efforts will be made to strengthen security coordination and maintain thoughtful political guidance and robust support for the establishment of a Cooperation and Coordination Mechanism integrating the efforts of China, Afghanistan, Pakistan, and Tajikistan.

China expresses its intention to play a crucial role in facilitating trilateral dialogue and cooperation among China, Afghanistan, and Pakistan. This includes the implementation of deepened counter-terrorism measures and security capacity-building within the Afghan and Pakistani defense forces through efficient platform operations and management practices. China held the second Forum and proceeded to sign relevant agreements that further these objectives. Both parties, while addressing each other in celebration of the anniversary of their diplomatic relations, expressed mutual appreciation for the positive advancements made in construction and overall progress regarding their collaborative efforts (Liu et al., 2023).

Afghanistan's proactive stance as an active participant in the Belt and Road Initiative reflects its strategic goal of striving for China's support in the various projects encompassed under the BRI framework. These projects include the development of four major roads, specifically subcontracting these initiatives to enhance local employment opportunities. China regards Afghanistan as possessing "inherently" significant geographical advantages, making it a wise choice as a terminal for the BRI vision. The construction of vital infrastructure projects will be expedited to forge stronger connections between the two nations.

Looking towards the future, it is anticipated that collaboration will expand into numerous spheres, including both agriculture and industry. This expansion is laid out in the Action Plan, which is a key component document stemming from the signed agreements in 2016. The interaction between these two countries is slated to be significantly elevated as efforts are made to seek ways to assist local product development (Fieldsend et al.2021). Through existing agreements, clean products from Afghanistan can be exported to China, further solidifying the economic partnership and fostering closer ties between the two nations.

Pakistan's Economic Relations with China and Afghanistan

Long-lasting relations, friendly countries and stable cooperation are the most valuable assets for the socio-economic welfare of countries. One such relation is between China and Pakistan, which are higher than the mountains, deeper than the oceans, stronger than steel, and sweeter than honey. The silk route and the Himalayan-Karakorum Mountain linked them. The valuable asset for Pakistan is its friendly and cooperative relations with China. The history of Pakistan's relations with China goes back to 1950. The relationship between Pakistan and China is based on the mutual respect of each other's territorial integrity, national sovereignty, mutual interests and peaceful co-existence (Saqib Irshad et al., 2016). The historical visit of U.S president Richard Nixon to China would have never been possible without an intermediary role by Pakistan. Afghanistan wants better and sustainable relations with Pakistan. Once peace is restored in Afghanistan, there will be better opportunities for better economic ties and connections with Pakistan. It is believed that Afghan businessmen may invest in the Garment industry of Pakistan, potentially through Afghan handicraft exports. The trade chapter of the Export Interaction Council of the Afghan Ministry of Commerce has wrapped up an optimistic trip to explore new markets in Pakistan. Afghanistan has finalized preparations for the construction of storage facilities for fruits in Pakistan. This will enable farmers of Kunar and Nangarhar to store their surplus production of fruits in the cold storages (Rahman Tahiri, 2017).

Trade Relations

The Islamic Republic of Pakistan that happens to be the neighbor of landlocked Afghanistan would therefore be in a better position to avail business opportunities as a result of the transit routes to be established by the Chinese initiated infrastructure projects in Afghanistan. Therefore, the main focus of this study is the economic impact of China's Belt and Road Initiative in Afghanistan on Pakistan through trade, investment and regional connectivity. The system dynamics would be used for the first time in the South Asian region to quantify the economic impacts of BRI in Afghanistan on Pakistan.

China has agreements with all countries in the region where Afghanistan is strategically located to form the basis for eclectic economic development through the BRI projects. Construction of international airports, freight rail lines and transit routes in Afghanistan is expected to make it relatively more convenient for movement of low-wage goods. The Islamic Republic of Pakistan that happens to be the neighbor of landlocked Afghanistan would therefore be in a better position to avail business opportunities as a result of the transit routes to be established by the Chinese initiated infrastructure projects in Afghanistan. However, limited pieces of work can be traced that have empirically analyzed such intricate impacts using a generic modeling approach for any region of the world (Saqib Irshad et al., 2016); (Chen & Li, 2021).

The differential impact of infrastructure and connectivity developments through the BRI in Afghanistan is proposed to be modeled in a macroeconomic perspective using a system dynamics model. Since a developing country like Pakistan is particularly more at risk of transiting adverse shocks from BRI such impacts in a macroeconomic dimension may either boost or dampen the overall economic growth, and thus it would be interesting to have insights about such impacts prior deeper empirical assessment into the proposed model to investigate the conundrum. The objectives of the study therefore consist of more generically, to model the economic impacts of China's Belt and Road Initiative in Afghanistan on Pakistan, and more specifically, to elucidate the impact of such projects in Afghanistan on Pakistan's trade, investment, and regional connectivity through trade routes and sea port construction.

Investment and Economic Cooperation

Bilateral ties between China and Afghanistan would increase trade facilitation between these countries and rather indirectly benefit Pakistan's economy as well. A gradual increase in trade transactions and economic ties between China and Afghanistan has become more visible since the last decade. Several arrangements and Memorandum of Understandings (MoUs) are going on in various aspects with the mutual consent of both countries from time to time. On the one hand, China is gradually capturing the goods and commodities market at that 'Land Locked' war-torn country being a leading

manufacturer. Moreover, opens niche markets for the Afghan products to be internationalized on the other (Saqib Irshad et al., 2016).

Denoted as "The Belt and Road Initiative," the rising giant focusing on the global economy, has brought guesstimates across the globe. The neighbors and far-flung countries are curiously eyeing at China's ambitious plan for their readiness in response to the unfolding events regarding trade volumes, investments, and regional connectivity. Being a neighboring country Pakistan, it's anticipated that the volume of trade, investment, and economic transactions will be increased considerably under this initiative. Meanwhile, this study tries to evaluate the economic implications of the Chinese BRI in Afghanistan on Pakistan economic prosperity with a focus on both trade and Investments. The total trade volume between China and Pakistan denotes a significant hike after the announcement of the Belt and Road Initiative (BRI) by China government. Moreover, there's a considerable increase in the size of investments by China at Pakistan after the initiation of CPEC (Chen & Li, 2021).

China and Pakistan share a long-lasting relationship in terms of bilateral ties and interests. Both countries have made crossings in political, military, economic, technologic, and cultural sectors by enhancing their mutual collaboration over the years. The two-front multi-dimensional landlocked alliances are bonded each other by economic, cultural, and strategic relations leaving little room for external pressures. Pakistan is China's immediate neighborhoods in South Asia, while China is Pakistan's neighbors to the west. The establishment of a strategic and economic corridor will secure the Chinese trade route and will give a drastic change in geometric routes. The success of regional corridors would also take account of cordial politics, stable security, and strategic alliances in the neighboring states.

Impact of BRI on Pakistan's Economy

Pakistan's historical engagements with China have significantly shaped its internal and external politics, and influenced its domestic, regional, and international orientation. At the heart of these engagements are the China-Pakistan Economic Corridor (CPEC) and Pakistan's location in South Asia. The CPEC has been projected as a flagship project of China's Belt and Road Initiative (BRI) and it covers almost all crucial areas of economic cooperation: the development of infrastructure, a system of transport, and energy projects. The CPEC has been signified as a game-changer, and an enterprising venture with huge benefits claims, in which Pakistan's falling economy would accrue. But, there are doubts and controversies over the benefits or negative implications of the CPEC. The CPEC has gained significant importance in the economic strategies of the two countries and also can play an imperative part in the regional economies. Corresponding to this, the importance of the Afghanistan-China border has increased as both countries have signed a bilateral agreement of the BRI, because of the efforts

from China to provide broader development, and persuade Afghanistan to be a significant point in this regard. The CPEC has attracted various countries, including Afghanistan, as it may offer fresh opportunities for regional connectivity along with trade and investment. Afghanistan is working on such policies that can bridge the two states (Pakistan and China) keeping in view shared goals towards economic prospects (Boni & Adeney, 2020). China has emphasized that in a short time, Afghanistan has become a vital factor for the CPEC, particularly in the world of today's globalization. Because China has started investing heavy capital to making Afghanistan an essential part of the Belt and Road Initiative.

This study scrutinizes the impact of China's Belt and Road Initiative (BRI) on Afghanistan relating economic development, and its implication for Pakistan. Mainly, the CPEC has been divided into three categories which are the focus of this study. 1. Trade 2. Investment 3. Regional connectivity. Additionally, the Afghanistan-China and Pakistan-China BRI have also been discussed in this research. On account of the physical barriers of the Durand line, all CPEC routes were also designed to start from the Gwadar port, which is situated in Baluchistan, then South Punjab and to proceed to Sindh. This earned criticism due to Punjab's influence, which was believed to be promoting a regional imbalance and causing unrest amongst smaller provinces. Subsequently, it was decided that the railway route would be extended to Khyber Pakhtunwa further to move towards southwest Baluchistan leading to Afghanistan subsequently to Tajikistan (Chen & Li, 2021).

Trade Dynamics

This section studies the impact of China's Belt and Road Initiative to work through Pakistan on economic and regional integration with Afghanistan. It mainly focuses on three aspects: trade level, investment level, and NPM-PC for regional connectivity. The empirical analysis is performed using data on trade statistics, FDI, and ICI and the gravity model. The BRI attempted to promote trade among these countries through infrastructure and trust cooperation. As analyzed from the perspective of trade, Pakistan uses Gwadar Port as a transfer port to export and import goods with Afghanistan. On the investment side, Pakistan and China cooperated in the development of Gwadar Port and road infrastructure (Rashid & Shirazi, 2023). Meanwhile, China is also engaged in investment activities in various industries in Pakistan, such as power plant projects. Among the transport infrastructure investments, Gwadar Port and its road infrastructure will be used as a gateway to Central Asia, and Karakoram Highway will function as a trade route. To check the robustness of the empirical model estimates, the NPM-PC index of Afghanistan will be employed. This is because Pakistan and Afghanistan share a border of 2,430 km in length, and the construction of a border fence could promote border trade. Moreover,

the border fence policy could curb various criminal acts at the border. Efforts to prevent a spill-over of these effects to Afghanistan should be included as a component of BRI policy. In the end, predictions and policy implications made from the analysis will be discussed.

Investment Patterns

The primary sources of data pertaining to foreign direct investment (FDI) were notably identified as the State Bank of Pakistan (SBP) and the Ministry of Industry and Information Technology of China. Insights regarding aid, housing, and capacity building were meticulously gathered from various Chinese government departments and also engaging with media outlets. It has been discovered through extensive analysis that countries involved in the Belt and Road Initiative (BRI) have primarily received either capital investments or loans, notably at low interest rates (Zou et al.2022). In stark contrast, the agreements forged under the BRI between developed economies typically exhibit higher interest rates when compared to those agreements made with developing countries. There exists a strong positive and significant correlation between the spatial distance of a country from China and the volume of FDI that it manages to attract. This relationship highlights the perspective that the BRI strategy has predominantly been commercial in its orientation rather than being purely political in nature.

Focusing specifically on Pakistan's context, a notable increase has been observed in the financial assistance and investment flows originating from China. This influx, although accompanied by lower interest rates, underscores the preference for direct investment routes rather than broader regional financial engagements. The outcomes stemming from agreements associated with the BRI reveal a marked increase in trade activities, particularly with economies situated to the south of China. A comprehensive mechanism is envisioned through which a land route will be utilized, aiding in the development of economic corridors and ultimately fostering the creation of jobs tailored for the workforce in destination economies. (Custer et al.2023).

The impact of the BRI has unveiled a perceptible decline in the willingness of external investors to extend financial support. To effectively confront this emerging challenge, a plausible approach could be to extend substantial economic incentives to the creditors. This could facilitate the possibility of negotiating reduced debt obligations, especially if the recipient nations manage to attract foreign direct investment (FDI), bolster China's export capabilities, embark on significant construction ventures, or even provide strategic access to crucial military sites or ports.

In the context of Afghanistan, when evaluating the three major categories of impacts namely trade, investment, and regional connectivity it becomes clear that Chinese investment has yet to commence. To date, China has emerged as the principal source

of goods imported by Afghanistan, yet these imports have been largely confined to a singular product group. The logistics associated with regional connectivity remain challenging and are expected to pose a significant bottleneck, particularly given Afghanistan's status as a landlocked and underdeveloped nation. The underlying presumption is of a gradual increase in the communist party's power alongside a potential shift away from market-driven economic principles (Zhang, 2022). However, this transformation appears to do little in addressing the existing internal financial predicaments, which, as a direct consequence of the One Belt-One Road initiative, are considerably tied to transactions carried out with third-party entities.

Regional Connectivity

China and Pakistan are neighbors and traditional partners. The two countries share a vast common border and friendship dating back to 1950. China has extended all possible assistance to Pakistan on political, economic, defense, agriculture and infrastructure development fronts. The construction of the economic corridor is an example of economic cooperation. By sharing a 91Km long border with China, Afghanistan falls within the ambit of regional initiatives. The initial focus of projects was mainly on improving land connectivity by building roads and infrastructure, this led to the idea of the economic corridor. But now, when going through the second phase of the initiatives, China is shifting emphasis on sea corridors. With the emphasis shifting from land to sea, Afghanistan's importance has also grown (Okochi et al.2022). Afghanistan expects the establishment of a railway network between China's Lanzhou city and Afghanistan. China is considering such a proposal, the Pakistani Foreign Minister informed the Afghan media that connecting China's railway with Afghanistan could benefit Pakistan economically.

Challenges and Opportunities

Cooperation between Pakistan and China has been manifested in different areas since 1962. The two-dimensional relationship has become more fertile over time and in recent years, circumstances have become so that China is rapidly reestablishing itself on the global stage, and Pakistan is busy in finding a reputable place in the international community. Now, both states have adopted a plan that will soon become the heart of 21st-century Asia. This is of utmost importance and provides promises to connect South Asia with Central Asia, the Strait of Bab al Mandeb, and the Eurasian borders across the Indian Ocean (Saqib Irshad et al., 2016). The Beijing Consensus is a broader extension of Chinese policies, a desire to influence the world through extraordinary economic growth; in the past couple of years, China's global interests are growing in the short term, which has also become apparent. On the one hand, the One Belt One Road (OBOR) initiative aims to persuade extensive infrastructure throughout the Asian continent in the direction of the European continent, to re-

vitalize the Ancient Silk Road, and to engage multiple partner countries in other economic development initiatives. Pakistan is one of such friends, and the 'China Pakistan Economic Corridor' (CPEC) is the only alliance within OBOR, as it shows that it illustrates within the framework of regional economic development, not only within the framework of regional political interests.

It is said that there will be vast benefits from CPEC and China's OBOR initiative, but one must be vigilant in seeing past the optimistic propaganda. It is necessary to consider geopolitical and territorial consequences in the long run, as well as short-term economic benefits. Pakistan has a long history of strategic alliance with powerful neighbors, such as military training in the 1960's and decades, while policy of strategic depth and Durand Line Disputes in Afghanistan against archrival India. Afghanistan is distracted and the border regions have become a sanctuary for militants from both Afghanistan and Pakistan.

Security Concerns

In the past two decades, a revival of the ancient Silk Road has been proposed, and the most ambitious development strategy of the 21st century - 'Belt and Road Initiative' (BRI) - has been implemented by the Chinese government, aiming to enhance regional connectivity and embrace an even larger trade network extending through Europe to the east coast of Africa, across the Indian Ocean, to the ancient maritime spice route (Chen & Li, 2021). With a vision to construct a network of roads, railways, ports, and airports to support the economic development and improved integration of markets and production networks in more than 60 countries across three continents. Aiming to promote trade and investment and to stimulate economic growth, some \$1.3 trillion was spent on the BRI projects, as the largest programme of transport infrastructure and the policy effort in global history. While not limited to South Asia and East Asia, the goal of the BRI is striving in these regions, significantly fostering local market integration and common growth from enhanced connectivity. Local, national, and regional networks of roads, railways, ports, and airports are expected to amplify industrial capabilities, spur industrial productivity, and smart services. Because the BRI focuses on investment and a reappraisal of under-used infrastructure across the world, it also seeks to encourage more ambitious interactions across sectors, regions and countries, thereby provoking spillovers to third countries (Boni & Adeney, 2020). More broadly, the BRI is strongly connected to the important eastern crescent of the world economy, along the belt that links East Asia to Europe and, through South Asia and the Middle East, to East Africa, and the rest of the world.

Most classical trade theories proclaim that trade liberalization could lower unemployment and raise real wages since active firms tend to be more productive, whereas unskilled workers tend to prefer occupation in lower productivity sectors.

However, recently BRI increasingly trade affects international and domestic the structure and spatial distribution of employment due to sectoral and regional disparities. Actually, assistance recipient countries BRI like developing benefit little from the trade contract, and the fair trade BRI internal coordination is Inefficient. This leads to the entrance into the recipient countries BRI by foreign products that undermine the reallocations income or investments and capital. On the contrary, the recipient countries BRI become specializing only in specific sectors, leading to a price increase, unemployment rate growth, and driving location and selection of the workers and industry out. Outcomes of trade liberalization outlined previously were not confirmed by other scholars. Actually, indicated that the unemployment rate is likely to be higher under trade liberalization since firms may offer higher wages, which may lead to lower labor demand. At the same time from the proposed geographical models enhancing cities' conflict, trade liberalization raises the number of inactive firms, mostly those that operate traditionally existing in the city region (Alfalih, 2024). As firms become inactive, less workers are employed in the mainland, and many of them emigrate to the winner cities willing to find a job, and as a fact, these cities' labor demand increases.

Economic Benefits and Risks

Over the past two decades, Pakistan has developed a series of economic partnerships with China, including the construction of the China-Pakistan Economic Corridor and the creation of two free-trade zones for increased exports and economic growth. Pakistan's stake in China's Belt and Road Initiative continues to grow. Currently, Pakistan's trade relationships with one of BRI's B2B initiatives onward trade of Afghan goods to China via Gwadar Ports are mostly likely affecting Khyber Pakhtunkhwa province. This study examines the potential impact of CPEC on the economic growth of Pakistan's provinces using a Financial Computable General Equilibrium model of the country. It is the intention that this research will inform the negotiation process, and future assessment, of trade contracts between Pakistan and China on onward trade with Afghanistan. Whether as a result of growing advocacy, or out of concerns over increased competition from China's export-led growth model, the US administration presented its own Indo-Pacific strategy in 2018. This strategy involves increased investment in infrastructure and development projects across Japan, India, South Asia, and the Pacific, with the dual policy aim of countering Chinese geopolitical influence through increased economic engagement and promoting an alternative trade policy model. This has caused allies to re-evaluate their relationship with BRI: a prime example being Malaysia suspending the development of Chinese infrastructure projects.

Onward trade partnerships with China, such as importing products from Pakistan's Special Economic Zones, are part of the BRI's broader model of economic

development. However, the economic impact of the BRI on potential trade corridors have received little investigation. In the context of Pakistan, and its trade with Central Asian countries (particularly involving transportation links), several questions are examined, primarily: whether it is possible to design a model to anticipate the contractual terms of a trade agreement; how the economic relationship created between Pakistan and China differs from previous contractual relations; and what form might such an agreement take for the case of onward trade with Afghanistan. The remainder of this paper first provides a review of the literature on the current form of agreement and then proceeds to the conceptual model.

Conclusion

The Belt and Road Initiative (BRI) is widely regarded as a significant mechanism designed to advance various trade projects while simultaneously enhancing trade and investment opportunities for all participating nations, especially including Pakistan. The overarching economic impact of the Belt and Road Initiative on the economies of different countries has the potential to significantly sway policy decisions at various governmental levels. This comprehensive study focuses on analyzing the pivotal economic impact that the BRI has on Afghanistan and its consequential effects on the economy of Pakistan. This includes a routinization of local initiatives that have emerged since the inception of the BRI, which highlights the evolution of development programs. The detailed list of countries that have benefited the most from the BRI illustrates a clear advancement in collaborative efforts through the initiative.

Afghanistan's development is particularly noteworthy and has served as an exemplary case of study, especially given Pakistan's unique geographical position in relation to Afghanistan. Pakistan's perspective regarding the BRI projects being executed in Afghanistan underlines not only the positive impacts on the China-Pakistan Economic Corridor (CPEC) but also stresses Afghanistan's critical role in enhancing Pakistan's regional connectivity. The discussion further elaborates on how, in order to effectively assist the economic development of historically marginalized and developing nations, as well as address their numerous economic challenges, China launched its grand trade and infrastructure venture known as the Belt and Road Initiative (BRI) back in 2013.

The serious commitment to sustainable and comprehensive development that has been launched through the BRI initiative is increasingly accepted as an essential viewpoint by a significant number of global observers. The BRI is perceived as establishing a mutual support framework that interlinks various trade projects, further promoting a dual approach involving both trade and investment opportunities. With the concurrence of Afghanistan, it opens up a vital area of study on how the collaborative trade and commerce projects implemented by China and Pakistan in

Afghanistan may substantially influence the overall economic efficiency experienced by the public.

Moreover, based on the extensive research conducted and the commerce statistics collected from the years 1980 to 2019, we can derive economic insights into the patterns of GDP and Foreign Direct Investment (FDI) in Pakistan. This analysis corresponds with the introduction of key energy periods that aimed to reach precise prediction results regarding economic growth. In consideration of various scenarios pertaining to the expansion of air, road, and sea transport infrastructure, the significant infrastructural changes implemented by China are observed to affect logistical operations, employing gravity modeling techniques to systematically measure both the GDP and FDI pertinent to Pakistan's economy. The resultant findings firmly establish that the efficiency of the Belt and Road Initiative in Afghanistan has had a substantial influence on Pakistan's ability to enhance its GDP levels while simultaneously attracting increased flows of Foreign Direct Investment.

References:

- Alfalih, A. A. (2024). The impact of oil prices, foreign direct investment and trade openness on unemployment rates in an oil-exporting country: The case of Saudi Arabia. Heliyon.
- Ali, G. (2022). China–Pakistan cooperation on Afghanistan: assessing key interests and implementing strategies. *The Pacific Review*.
- Ali, T., Huang, J., & Xie, W. (2022). Bilateral Economic Impacts of China–Pakistan Economic Corridor. *Agriculture*.
- Barna, E. (2024). Afghanistan's Geopolitical and Geostrategic Importance for International Security: A Great Game Theory Analysis of Its Role Across Three Centuries.
- Boni, F. & Adeney, K. (2020). The impact of the China-Pakistan Economic Corridor on Pakistan's federal system: the politics of the CPEC.
- Boni, F. & Adeney, K. (2020). The Impact of the China-Pakistan Economic Corridor on Pakistan's Federal System: The Politics of the CPEC.
- CHAN, S. A. R. A. H. (2018). The Belt and Road Initiative: Implications for China and East Asian Economies.
- Chen, D., Song, D., & Yang, Z. (2022). A review of the literature on the belt and road initiative with factors influencing the transport and logistics. *Maritime Policy & Management*.
- Chen, Z. & Li, X. (2021). Economic impact of transportation infrastructure investment under the Belt and Road Initiative.
- Custer, S., Dreher, A., Elston, T. B., Escobar, B., Fedorochko, A. F., Ghose, S., ... & Zhang, S. (2023). *Tracking Chinese Development Finance: An Application of AidData's TUFF 3.0 Methodology*. Williamsburg, VA: AidData at William & Mary.

- Dong, C., Huang, Q., Ni, S., Zhang, B., & Chen, C. (2024). ... care-based corporate social responsibility (CSR) communication during the COVID-19 pandemic: a comparison of Fortune 500 companies in China and the United *Journal of Business Ethics*.
- Fang, K., Xu, A., Wang, S., Jia, X., Liao, Z., Tan, R. R., ... & Su, F. (2023). Progress towards sustainable development goals in the belt and road initiative countries. *Journal of Cleaner Production*, 424, 138808.
- Fieldsend, A. F., Cronin, E., Varga, E., Biró, S., & Rogge, E. (2021). 'Sharing the space' in the agricultural knowledge and innovation system: multi-actor innovation partnerships with farmers and foresters in Europe. *The Journal of Agricultural Education and Extension*, 27(4), 423-442.
- Javed, U., Hussain, A., & Aziz, H. (2021). Demanding power: Contentious politics and electricity in Pakistan.
- Liu, M., Yan, J., & Yao, G. (2023). Themes and ideologies in China's diplomatic discourse—a corpus-assisted discourse analysis in China's official speeches. *Frontiers in Psychology*.
- Liu, Y., Manabe, R., Nitani, R., & Murayama, A. (2024). Historical institutionalism in action: Incremental prevalence of Transit-Oriented Development in Tokyo 1945-1982. *Progress in Planning*.
- Okochi, M., Nawabi, F., Hemmi, S., & Takemoto, T. (2022). Restabilising Afghanistan through a comprehensive logistics framework for the access to ports. *TransNav: International Journal on Marine Navigation and Safety of Sea Transportation*, 16.
- Patel, P. (2021). Modelling Cooperation, Competition, and Equilibrium: The Enduring Relevance of Game Theory in Shaping Economic Realities. *Social Science Chronicle*.
- Qian, F. (2022). Ancient routes, new dream: the Silk Roads and China's Belt and Road Initiative. *Journal of Cultural Heritage Management and Sustainable Development*, 12(1), 45-57.
- Rahman Tahiri, N. (2017). Afghanistan and China Trade Relationship.
- Rashid, A. & Shirazi, S. A. (2023). Gwadar Port-Pakistan as an Axis for Regional Connectivity under CPEC: A Geographer's Perspective. *Journal of Politics and International Studies*.
- Rehman, F. U. & Noman, A. A. (2021). Trade related sectorial infrastructure and exports of belt and road countries: does belt and road initiatives make this relation structurally instable?. *China Economic Journal*.
- Saqib Irshad, M., Xin, Q., & Arshad, H. (2016). One Belt and One Road: Does China-Pakistan Economic Corridor benefit for Pakistan's Economy?.
- Shah, S. H., Kamal, M. A., & Yu, D. L. (2022). Did China-Pakistan free trade agreement promote trade and development in Pakistan?. *International Journal of Finance & Economics*, 27(3), 3459-3474.

- Tahir, M. & Hussain, N. (2022). China, Pakistan, and Afghanistan: Partnership for regional peace. *South Asian Studies*.
- Tian, C., Zaki, Z., & Ying, H. (2024). Strategic alliance: The contribution of the " Belt and Road Initiative" to easing trade restrictions for Afghanistan. *International Journal of Research in Business and Social Science*, 13(7), 326-342.
- Zeng, L., & Zeng, L. (2021). Conceptual analysis of China's belt and road initiative: A road towards a regional community of common destiny. *Contemporary International law and china's peaceful development*, 305-331.
- Zhang, F. (2022). 12. China's New Engagement with Afghanistan after the Withdrawal. *fghanistan*.
- Zhou, Z. & Li, Z. (2023). Corporate digital transformation and trade credit financing. *Journal of Business Research*.
- Zou, L., Shen, J. H., Zhang, J., & Lee, C. C. (2022). What is the rationale behind China's infrastructure investment under the Belt and Road Initiative. *Journal of Economic Surveys*, 36(3), 605-633.