

## IMPACTS OF CHINESE FOREIGN DIRECT INVESTMENT AND TRADE ON PAKISTAN'S ECONOMIC GROWTH (2013-2023)

### IMPACTOS DO INVESTIMENTO ESTRANGEIRO DIRETO E DO COMÉRCIO CHINÊS NO CRESCIMENTO ECONÔMICO DO PAQUISTÃO (2013-2023)

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#### Abstract

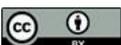
Foreign direct investment (FDI) is often regarded as a primary catalyst for global economic integration. FDI and trade are likely seen as crucial determinants of economic development in emerging nations such as Pakistan. This article aims to examine the impact of Chinese FDI and trade on Pakistan's economic development from 2013 to 2023. The research employs time series data from 2013 to 2023. And the secondary sources are employed utilizing qualitative approaches to track the outcomes. The findings of the research indicate that Chinese FDI and Trade have a favourable influence on the economic development of Pakistan. Chinese foreign direct investment (FDI) and trade in Pakistan have substantially contributed to economic development by infusing capital, introducing advanced technologies, enhancing productivity, generating employment, and augmenting export potential, thereby promoting overall economic growth, particularly in sectors such as energy, telecommunications, and construction; however, attracting and effectively utilizing FDI continues to face challenges for the country due to issues such as political instability, terrorism and regulatory obstacles.

**Keywords:** China. Pakistan. FDI. Trade. Economic Development.

#### Resumo

O investimento estrangeiro direto (IED) é frequentemente considerado um dos principais catalisadores da integração econômica global. O IED e o comércio são provavelmente vistos como determinantes cruciais do desenvolvimento econômico em países emergentes, como o Paquistão. Este artigo tem como objetivo examinar o impacto do IED e do comércio chinês no desenvolvimento econômico do Paquistão de 2013 a 2023. A pesquisa utiliza dados de séries temporais de 2013 a 2023. E as fontes secundárias são utilizadas utilizando abordagens qualitativas para acompanhar os resultados. Os resultados da pesquisa indicam que o IED e o comércio chinês têm uma influência favorável no desenvolvimento econômico do Paquistão. O investimento estrangeiro direto (IED) e o comércio chinês no Paquistão contribuíram substancialmente para o desenvolvimento econômico, injetando capital, introduzindo tecnologias avançadas, aumentando a produtividade, gerando empregos e aumentando o potencial de exportação, promovendo assim o crescimento econômico geral, particularmente em setores como energia, telecomunicações e construção; no entanto, atrair e utilizar efetivamente o IED continua a enfrentar desafios para o país devido a questões como instabilidade política, terrorismo e obstáculos regulatórios.

**Palavras-chave:** China. Paquistão. IED. Comércio. Desenvolvimento Econômico.



## 1 INTRODUCTION

FDI denotes the investment by an individual or entity from one country in business enterprises located in another country. Foreign Direct Investment (FDI) typically transpires when an investor initiates business operations in a foreign nation or acquires assets of a foreign enterprise. The economic growth and development of a country are affected by several variables, including tax revenue and foreign direct investment. Governments universally seek to attract FDI to their countries (Tarzi, 2005). Investments are typically directed towards sectors where the home country possesses a comparative advantage relative to the host nation regarding market and economic conditions. This strategic decision allows investing enterprises to improve their marginal productivity factor. In the context of globalization, FDI has become a crucial element in the economic advancement of nations, including Pakistan (Zaman, et al 2012). It is also utilized in open markets rather than closed marketplaces for investors.

It is a crucial instrument in the realm of financial growth (Lipsey, 2002) having fundamental impetus for the establishment of new enterprises, factories, and corporations (Shah and Jiang, 2014). FDI is also bringing modern technologies and skills (Sun 1998) creating demand for home-grown contributions (Chenery and Srinivasan, 1989), improve affordability and indorsing an investment friendly atmosphere in the receiver states (Kamal et al., 2019). The aforementioned variables are crucial for promoting economic development, modernization, technology transfer, the diffusion of creative business ideas, the liberalization of economic regulations, and the creation of many job opportunities. The trajectory of the nation's economic development in the next years will be contingent upon its present performance. Conversely, international commerce pertains to the transnational exchange of goods and services among countries. Globalization enables countries to expand their market access and get goods and services that may have been unavailable inside their own boundaries (Rodrik, 2011). Engaging in overseas business makes the market more competitive. This ultimately results in improved price competition, allowing the consumer to get more economical goods. The formation of bilateral economic links between two nations offers consumers and countries the beneficial opportunity to obtain items and services that are either unavailable domestically or would be more expensive if produced locally. International trade played

a crucial role in promoting the growth of the global economy and maintaining the balance between demand and supply.

China is recognised as the leading foreign direct investor and Pakistan's main commercial partner. Chinese investment and trade are essential in promoting economic progress in Pakistan. This phenomenon facilitates several career opportunities in Pakistan, allowing people to improve their skill sets via the acquisition of technological and strategic management knowledge. Moreover, it facilitates the integration of the local economy with the global economy. Conversely, Pakistan's trade with China has been essential in establishing equilibrium between the nation's imports and exports. Therefore, it can be concluded that both Chinese foreign direct investment and trade positively influence the economic growth of Pakistan.

## **2 CHINA'S FOREIGN DIRECT INVESTMENT IN PAKISTAN**

China is regarded as a significant participant in the domain of foreign investment. The execution of the “go global” strategy in China during the early 2000s compelled Chinese firms to pursue foreign investments. Currently, China is Pakistan's leading foreign direct investment source. The 2020 World Investment Report by the United Nations Conference on Trade and Development indicated that Pakistan's foreign direct investment inflows increased from 1.7 billion dollars in 2018 to 2.2 billion dollars in 2019. At the end of 2019, the total Foreign Direct Investment amounted to 34.8 billion dollars. According to figures from the State Bank of Pakistan, Foreign Direct Investment (FDI) inflows surged by 68.3% in the first half of the 2019-2020 fiscal year (July-December 2019), totalling 1.34 billion dollars. This result represents a substantial increase relative to the same time last year, which documented FDI inflows of 796.8 million dollars. In December 2019, inflows peaked at 487 million dollars, representing a 30-month high. This significant rise was mostly driven by considerable investments from China (Santander Trade). China has become the major source of foreign direct investment in Pakistan with the creation of the China-Pakistan Economic Corridor (CPEC). The anticipated volume of Chinese Foreign Direct Investment in Pakistan by the end of 2017 was around 5.71 billion dollars. In 2018, China's investment in Pakistan had a threefold increase, culminating in a total of 18.9 billion dollars. CPEC is currently portrayed as the

principal conduit for future engagement between China and Pakistan, including an economic dimension to their longstanding relationship (Rafiq, 2017).

The CPEC was initiated in 2015 with the primary objective of linking Central Asia, Africa, and Europe to enhance trade and commerce. The 2017 World Investment Report (WIR) indicates that CPEC investment resulted in a 56% increase in FDI inflow to Pakistan. The United Nations Conference on Trade and Development (UNCTAD) reported that China's escalating investment in Pakistan via the CPEC project led to foreign direct investment inflows of 1.2 billion USD in 2015 and 2.1 billion USD in 2016 (Cadilhe, 2023; Husnain, 2021). The Global Times (2021) asserts that the extensive CPEC project provides opportunities for other nations to participate in the concept of equality, as well as for the private sectors in China and Pakistan. The private sector's proportion of CPEC investment will increase alongside Pakistan's initiatives to attract more foreign direct investment. Like developing countries, most FDI that stimulates development and economic growth originates from the private sector. The Board of Investment (BOI) indicates that the substantial capital influx into the CPEC project was the main factor behind the 74% increase in FDI during the first four months of 2017 compared to the same time in the previous year. A substantial portion of the 277 million USD in FDI that Pakistan received in October 2017 originated from China. In November 2017, the State Bank of Pakistan reported that China invested 297 million USD in FDI in Pakistan, including 206 million USD originating from CPEC. The State Bank of Pakistan said that of the 3.47 billion USD in FDI received by Pakistan in 2018, 67.3% originated from China (Lavingia, 2021).

CPEC, the principal project of China's Belt and Road Initiative, was formally announced in Pakistan in April 2015 under Prime Minister Nawaz Sharif's administration. The project was later inaugurated by Chinese President Xi Jinping during his visit to Islamabad that month, attracting much attention and enthusiasm. A total of 46 billion dollars in infrastructure and energy projects, including loans and investments, was initially planned for implementation over a period of 15 years. Subsequently, the total sum was adjusted higher to 62 billion dollars. Approximately 66% of the project is ascribed to foreign direct investment, and 25% is designated for concessional loans (Rafiq, 2022). A significant segment of CPEC's investment portfolio is allocated to

energy-related initiatives (Table 1). Approximately \$33.8 billion of the \$62 billion pledged is designated for energy-related projects.

**Table 1**

*List of CPEC Energy projects (FDI) and status as of November 2023*

S No	Name	MW	Fuel	Billion US dollars	Status
1	Sahiwal Power Plant	1320	Imported coal	1.91	Operational Since May 2017
2	Port Qasim power	1320	Imported coal	1.91	Operational Since May 2017
3	Hubco coal	1320	Imported coal	1.91	Operational Since aug 2019
4	Angro thar	660	Local coal	1.00	Operational since july 2019
5	Shangai electric	1320	Local coal	1.91	Operational since 5th feb 2023
6	Hubco thar coal	330	Local coal	0.50	Operational since march 2021
7	Thal nova coal	330	Local coal	0.50	Operational since march 2021
8	Gawader coal	300	Imported coal	0.54	Operational since march 2022
9	Thar oracle	1320	Local coal	1.64	Operational since jan 2023
10	Karto hydro	720	Hydel	1.70	Operational since dec 2021
11	Suki kinari	870	Hydel	1.70	Expected COD 2026
12	Kohala hydro	1100	Hydel	2.36	Operational since dec 2022
13	Azad pattan	701	Hydel	1.65	Expected COD sep 2026
14	Phander hydro	80	Hydel	NA	Under review
15	Gilgit KIU	100	Hydel	NA	Under review
16	Quaide azam solar	1000	Solar	0.15	only 100 MW operational since july 2015
17	Hydro china	49.5	Wind	0.11	Operational since april 2017
18	UEP wind	99	Wind	0.24	Operational since april 2017
19	Sachal wind	49.5	Wind	0.13	Operational since 2018
20	Three Gorges (2 <sup>nd</sup> )	49.5	Wind	0.11	Operational since jan 2018
21	Three Gorges (3 <sup>rd</sup> )	49.5	Wind	0.11	Operational since july 2018
22	Cacho	50	Wind	NA	LOI stage
23	Western energy	50	Wind	NA	LOI stage
24	Matiary Lahore line	NA	Transmission	0.66	Operational since march 2021
25	Block 2 Thar	NA	Wind	0.63	Operational since jun 2018

Source 1: Pakistan Institute of Development Economics (PIDE).

The Pakistani government first revised its trade policies in the early 1980s to attract foreign direct investment. The trade policy modifications enacted in Pakistan aimed to stimulate the entry of direct foreign investment into the country. Pakistan's offering of trade advantages, including tax and tariff reductions together with loan facilities, has established it as a favourable destination for foreign investors. The currency exchange rate in Pakistan has provided a distinct commercial advantage for these investors. The legal reforms enacted in the 1990s offered enhanced incentives and safeguards for investors, facilitating the growth of several sectors, particularly the telecommunications industry, inside the country. Since that time, foreign direct

investment has seen significant development in Pakistan. Pakistan is seen as a country that embraces and promotes FDI (Rathore et al., 2023). Chinese financiers were attracted to Pakistan due to several factors, including cost-efficient manufacturing, the availability of low-wage skilled labour, high productivity rates, access to knowledge and technological resources, a substantial market size, favourable currency exchange rates, and the flexibility of government regulations. Similarly, the implementation of tariff liberalisations, the relaxation of prohibitions on foreign investment, and the processes of deregulation and privatisation in various domestic sectors have arguably served as the most significant catalysts for attracting Foreign Direct Investment (Talat and Anwar, 2013). Presently, China occupies a significant role as a worldwide leader in recruiting and facilitating Foreign Direct Investment. Consequently, Pakistan has been a prominent receiver of Chinese FDI in the region.

### **3 IMPACTS OF CHINESE FOREIGN DIRECT INVESTMENT ON PAKISTAN'S ECONOMIC GROWTH**

Pakistan is undertaking deliberate initiatives to achieve and sustain enduring economic growth. A significant association exists between Chinese Foreign Direct Investment and economic growth within the context of the Pakistani economy. The inflow of foreign direct investment is crucial in fostering economic development, especially in developing countries such as Pakistan. Foreign Direct Investment provides several benefits, such as capital injection, the creation of new industries, the attainment of advanced management expertise, and access to state-of-the-art technology. The expansion of industrial capacity and the generation of employment opportunities in Pakistan are unequivocally fostering positive impacts on the nation's economic growth. The effort to attract FDI positively impacts Pakistan's economy, highlighting the substantial improvements generated by FDI as the primary objective in the competition among recipient countries to boost competitiveness (Hussain et al., 2021). FDI has a complex advantageous impact that beyond the simple transfer of production-oriented technologies. Furthermore, foreign direct investment is crucial in improving the quality of products in domestic industries. Furthermore, Chinese foreign direct investment in the China-Pakistan Economic Corridor bolsters transportation and communication facilities

inside Pakistan. Moreover, China has established a substantial presence in Pakistan via the formation of several multinational corporations. These enterprises are recognized for their capability to stimulate competition, promote innovation, demonstrate technical proficiency, and display robust management skills, so allowing them to consistently improve local production capacity and performance. FDI has become a vital catalyst for economic progress, supported by sophisticated technology and reliable institutions (Hausmann and Rodrik, 2013). FDI has become a vital catalyst for economic progress, supported by sophisticated technology and reliable institutions.

China significantly contributes to the enhancement of foreign direct investment in Pakistan. The State Bank of Pakistan has announced a substantial 61% rise in Foreign Direct Investment for the current fiscal year. China has made considerable investments in several projects under the CPEC, representing the largest instance of foreign direct investment in Pakistan.

The principal rationale for the CPEC's initial focus on energy production was Pakistan's domestic political agenda. The significant energy problem affecting the lives and livelihoods of Pakistanis, the country's macroeconomic conditions, and therefore the political prospects of the ruling authorities was a crucial element in the first phase of the CPEC (Anwar et al., 2024). A primary commitment in the PML-N's 2013 electoral platform was to resolve the energy problem. Energy was the pre-requisite for everything the PML-N sought to do, both electorally and developmentally, as Punjab's chief economist put it. The minutes from the first JCC conference in August 2013 indicate that Pakistan imposed its energy goals on Beijing rather than the reverse. The Pakistani authorities assert that economic activity cannot be revitalized without the rejuvenation of the energy sector, which is considered the most vital and significant sector. One of the first policy papers enacted by the newly elected PML-N cabinet in July 2013 requested an inquiry into a coal corridor. This constituted the National Power Policy of 2013 (PML-N Manifesto, 2013). This strategy seeks to mitigate the nation's overdependence on oil by diversifying energy sources and reducing electricity costs. Consequently, from 2013 to 2021, coal-fired power plants represented 47% (8 out of 17) of the prioritised energy projects under the CPEC (Hasan et al., 2020). The generation of 65% of the projected megawatts from CPEC sites underscores the significance attributed to coal by the Pakistani government (Mahmood, 2023).

The predominant focus of Chinese foreign investments was on energy projects, road and railway infrastructure, various Gwadar development initiatives, optical Fiber cable projects, provincial multi-projects, special economic zones, social development initiatives, western route projects, as well as power and oil and gas ventures.

The heightened stream of foreign investment has enabled Pakistan to mitigate the pressure on its external account. Numerous substantial road infrastructure projects have been effectively completed in recent years, notably the Lahore-Abdul Hakeem Motorway and the Sukkur-Multan Motorway, facilitated by Chinese foreign direct investment, among others. The segments of the Hazara Motorway, namely Havelian-Mansehra and Mansehra-Thakot, together with the parts of the Pindi Bhattian-Multan Motorway, namely Gojra-Shorkot and Shorkot-Khanewal, in addition to the Lahore-Sialkot Motorway. These infrastructural investments enabled the integration of various economic centers inside Pakistan, leading to the establishment of many economic and entrepreneurial opportunities in these areas. Moreover, it enabled the effective distribution of goods and services, a crucial element in the economic development of Pakistan.

Chinese foreign direct investment in Pakistan has doubled over the last decade, especially after the formation of the China-Pakistan Economic Corridor Agreement. FDI has significantly contributed to Pakistan by facilitating access to foreign markets and giving local labor with possibilities for training and knowledge acquisition, so enhancing their skills. Foreign Direct Investment influx in Pakistan affects both international trade and local production. Chinese foreign direct investment has positively impacted Pakistan's export sector. Chinese enterprises provide significant expertise and insights that may aid Pakistani corporations in swiftly responding to the evolving needs and requirements of the globalized business sector. The involvement of Chinese firms in enhancing technological capabilities among the local workforce in Pakistan positively impacts the entire economy. This is attributable to the superior technology sector in China relative to that of Pakistan. The attainment of new technological abilities offers substantial benefits for Pakistan. Consequently, it has also improved the quality of municipal institutions, infrastructure and human resources.

Another consequence of FDI in Pakistan is its role in improving the cost-efficiency of local goods production, driven by increased demand from Chinese investors.

Additionally, the initiation of production processes encourages local investors to engage actively in this innovative and promising venture. The host nation's attitude towards foreign investors has significantly influenced the advancement of the industrial, technical, and socio-economic sectors in the region.

#### **4 CHINA-PAKISTAN TRADE**

The first trade agreement between China and Pakistan was established in 1963, conferring upon each country the status of Most Favoured Nation on a bilateral level. The agreement included various imports from China, such as iron, steel, coal, cement, machinery, chemicals, and many raw materials and agricultural products. Pakistan's exports to China included various commodities, such as cotton, jute, jute products, hides, textiles, sports goods, medical equipment, and chromium. Subsequently, other more agreements were established to promote bilateral trade. In 2006, a notable free trade agreement, termed the China-Pakistan Free Trade Agreement, was finalized between the governments of China and Pakistan. China has lately become Pakistan's principal trading partner. The CPEC has been crucial in strengthening trade relations between China and Pakistan. Moreover, it acted as a catalyst for drawing foreign investments from other countries to Pakistan. Pakistan and China have had advantageous economic and trade relations since their establishment. Nevertheless, the current Chinese administration has shown increased enthusiasm in enhancing its economic policies with Pakistan. The free trade agreements significantly improve their economic links.

The China-Pakistan Economic Corridor (CPEC) has enhanced the politico-strategic relationship between China and Pakistan, resulting in a consistent growth of their strong economic connections. The Finance Ministry of Pakistan reports that the bilateral trade volume between China and Pakistan has attained its peak since the inception of the economic corridor. China is the second most substantial export market for Pakistan, with 7.7 percent of the nation's total exports. This ranking puts China behind the United States, which constitutes 16.7 percent of Pakistan's overall exports. The predominant exports from Pakistan to China consist of cotton and rice, accounting for approximately 75 percent of Pakistan's total exports to China. China is also acknowledged as a principal buyer of Pakistani rice. The notable increase in China's rice imports in 2012 can be

ascribed to a combination of strong domestic demand and advantageous international prices. This influx of imports provided an opportunity for Pakistani rice to capture a substantial market share in China. Significantly, the share of Pakistani rice in China's imports surged from 1.3 percent in 2011 to 24.4 percent in 2012, exceeding the volume of rice exported by Thailand to China.

**Table 2**

*Year-wise China-Pakistan Trade Relations in Billion USD*

Year	Total Bilateral Trade (in \$ Billion)	Exports from Pakistan (in \$ Billion)	Imports to Pakistan (in \$ Billion)	Annual Growth in Trade (%)
2013	14.52	2.22	12.3	-
2014	17.39	2.83	14.56	19.88%
2015	16.53	2.6	13.93	-4.93%
2016	18.91	3	15.91	14.38%
2017	20.83	3.16	17.67	10.21%
2018	23.07	3.5	19.57	10.67%
2019	24.12	3.52	20.6	4.55%
2020	21.92	3.57	18.35	-9.20%
2021	26.33	3.79	22.54	20.07%
2022	28.68	4.1	24.58	9.07%
2023	32	4.5	27.5	11.52%
2024	34	5	29	6.25%

Conversely, China now represents the largest share of Pakistan's total imports, at 29 percent. The imports mostly include electrical equipment, contemporary machinery, nuclear reactors, iron and steel, organic compounds, and synthetic filaments, among others. A significant portion, over fifty percent, of Pakistan's imports of electrical equipment and machinery is sourced from China.

## **5 IMPACTS OF CHINESE TRADE ON PAKISTAN'S ECONOMIC GROWTH**

Trade with China has shown several advantageous impacts on Pakistan's economic growth. A notable factor is that Pakistan obtains cost-effective raw materials from China, hence offering several benefits to the domestic sector. The advantages include the purchase of filament yarn for the textile industry, the acquisition of fertilizers and machinery for agriculture, and the procurement of cranes and heavy transport

equipment for construction. Conversely, Pakistan's exports to China play a substantial role in augmenting the nation's foreign currency reserves (Khan, Dogar & Khalid, 2024).

Multiple efforts have been implemented under the CPEC framework to augment bilateral trade (Shah, Kamal & Yu, 2022). These initiatives are crucial for enhancing Pakistan's export capabilities (Amna, 2024). Likewise, several agricultural efforts have been implemented to optimize Pakistani exports, an essential element for promoting economic growth in Pakistan. The following issues will be addressed: inkling, the notion of nine designated economic zones, and the formation of a fruit processing industry in Gilgit-Baltistan. These elements play a crucial role in enhancing the economic prosperity of Pakistan (Kataria & Riaz, 2020). The augmentation of exports plays a vital role in fostering the economic growth of Pakistan, as per the Export-led growth hypothesis, which asserts that a rise in exports facilitates a nation's economic growth and development. The exports of Pakistan to China are a vital macroeconomic element that significantly contributes to Pakistan's economic development. These exports not only bolster the balance of payments but also enhance the terms of trade and the exchange rate of Pakistan.

It is significant to note that the trade volume between China and Pakistan is very limited. The existence of interdependence among neighboring entities generates several opportunities for improving economic interactions. The reported restricted level of bilateral trade between Pakistan and China does not seem to fully reflect the economic significance of these two neighbouring countries (Malik, 2017). This discovery indicates substantial unexploited commerce prospects in both countries, which may mainly enhance the welfare of the general populace (Mustafa and Qayyum, 2016). The establishment of Special Economic Zones under the framework of the China Pakistan Economic Corridor plan is expected to provide substantial opportunities for the development and advancement of Pakistan's small and medium-sized companies (SMEs) in areas with strong export potential (Yaseen, Afridi and Muzaffar, 2017). The sectors include agriculture, food processing, marble and mining, light engineering, textiles, clothing and made-ups, in addition to the logistics industry.

The economic cooperation between China and Pakistan has garnered considerable attention and importance in the international sphere. It is essential to conduct a comprehensive review of China's role in stabilizing and enhancing Pakistan's economy.

The discourse encompasses historical connections, significant economic endeavors, and the effects and ramifications of this alliance. China and Pakistan have maintained a strong and strategic partnership for many decades. This alliance, originally based on political and military collaboration, has dramatically developed to include profound economic connections. The basis of their economic connection was established in the late 20th century, and subsequently, China has become an essential participant in Pakistan's economic framework. A significant element of China's assistance has been in the energy industry. Pakistan has long contended with significant energy shortages, which have adversely affected its economic development. Chinese investments have been essential in closing this gap. This includes financing coal-fired, solar, and wind energy initiatives across Pakistan. These initiatives have not only mitigated the energy crisis but also established a foundation for sustained economic development. The economic collaboration between China and Pakistan also encompasses the military industry. China has been a prominent provider of military equipment to Pakistan, and both nations have cooperated on several defence initiatives. This collaboration has a significant economic dimension, with cooperative ventures in military manufacturing advancing Pakistan's industrial and technical capabilities.

In addition to CPEC and energy, Chinese investment in Pakistan's infrastructure and other sectors is significant. Chinese enterprises are actively engaged in Pakistan's economic landscape across transportation networks, telecommunications, and the industrial sector. These investments have modernised critical areas of Pakistan's economy and have been essential in enhancing its industrial capability. Trade between China and Pakistan has increased significantly over the years. China has become Pakistan's second-largest commercial partner, with trade significantly favoring Chinese products. China's investments in Pakistan's technology industry have been substantial. Chinese technology conglomerates are partnering with Pakistani rivals in sectors such as telecommunications, digital services, and e-commerce. These cooperation are vital for introducing advanced technology to Pakistan, promoting an atmosphere favorable to creativity and technical progress. Chinese colleges are partnering with Pakistani universities to improve educational quality and research capacities. Scholarship programs and collaborative research projects have been established, allowing Pakistani students and researchers to use China's breakthroughs in education and technology.

China's participation in agriculture has become more prominent. China's knowledge and investments in advanced agricultural methods, irrigation systems, and pest management are enhancing crop yields and bolstering food security in Pakistan's extensive agricultural sector. This collaboration encompasses cattle and fisheries, emphasizing the improvement of production and sustainability. China's involvement in Pakistan's economy also includes tackling environmental and social issues. Environmental sustainability has emerged as a vital component of new initiatives, particularly in light of global climate change issues.

## 6 CONCLUSION

FDI is crucial in promoting sustained economic growth in several nations, including Pakistan. Chinese FDI positively influences the economic growth of Pakistan via many mechanisms. The economic expansion of Pakistan has been profoundly impacted by the use of sophisticated technology, modern manufacturing techniques, the CPEC, and infrastructural development. The commercial relationship between Pakistan and China has positively impacted Pakistan's economic advancement. The economic growth rate of Pakistan can be evidenced by the increase in its GDP. In 2013, the GDP growth rate was 2.2, which rose to 5.7 in 2020 and again dropped to 2.5 in 2024. FDI and trade exert a significant and beneficial effect on Pakistan's economic development, both in the short and long term.

China's influence on stabilizing and advancing Pakistan's economy is significant and complex. The cooperation offers considerable economic gains and geopolitical advantages; however it also poses problems and consequences that both nations must manage with caution. As the global economic and geopolitical environment evolves, the China-Pakistan economic connection will significantly influence regional dynamics.

To enhance and reinforce economic growth, it is essential to implement measures that will ensure its continuous development. Pakistan must undertake coordinated initiatives to augment its capacity to attract more foreign direct investment by instituting various incentives, such as tax concessions, while concurrently enhancing infrastructure and ensuring access to inexpensive energy resources. Pakistan needs to concentrate its resources to the advancement of the energy sector to mitigate the gap between energy

demand and supply. These developments are anticipated to guide the Pakistani economy along the intended trajectory of economic growth. It is essential for Pakistan to improve its commercial links with China, given the comparative advantages that such commerce provides over other regional states. It is quite probable that it would substantially advance economic growth in Pakistan.

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### **Authors' Contribution**

All authors contributed equally to the development of this article.

### **Data availability**

All datasets relevant to this study's findings are fully available within the article.

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