AUTUMN ISSUE . 2017 [ Volume-01]

China-Pakistan Economic Corridor

# CPEC QUARTERLY



A PUBLICATION OF
**CENTRE OF EXCELLENCE FOR CPEC**
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## ISSUE. 2017
### Volume-01

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China-Pakistan Economic Corridor

Socio-Economic
IMPACTS OF CPEC

Urban Development
in Pakistan under CPEC

Job Growth and
Human Resource Development

Financing and Financial
Sector Integration
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CPEC Trade & Industry
COOPERATION

Regional Connectivity
UNDER CPEC

## Prof Ahsan Iqbal

Minister of Interior & Minister of Planning, Development & Reform Pakistan

China Pakistan Economic Corridor (CPEC) is a set of colossal development projects in the global, regional, domestic, and bilateral contexts. CPEC is not the name of a single route or alignment, rather it is a comprehensive package of cooperative initiatives and projects encompassing regional connectivity, information network infrastructure, energy cooperation, industries and industrial parks, agricultural development and poverty alleviation, tourism, financial cooperation as well as livelihood improvement including municipal infrastructure, education, public health and people-to-people communication which will result in thousands of new ventures and millions of jobs in every part of country. The ultimate objective is to promote peace, prosperity, and well-being of the people of China and Pakistan, the region and the world. The global economic landscape has changed dramatically. The main drivers of this change have been technology, trade liberalization, free capital movements, advances in communication and transportation infrastructure, and creation of cross-border supply chains. The centre of gravity of the world economy has shifted to the east with the emerging economies growing at a much faster pace than the developed economies. Their share of GDP doubled in the last 50 years or so. In the last decade, 70 percent of global growth is ascribed to the emerging economies.

The role of research is vital to carry out the long-term diverse portfolio like CPEC and the responsibility of Center of Excellence-China Pakistan Economic Corridor (CoE-CPEC) is important to address the research needs, provide policy recommendations and support business community regarding CPEC prospects so that long-term sustained unfolding of CPEC could be attained. CPEC will be of benefit to Pakistan, China and the whole region through its multidimensional prosperous affects. The infrastructure and projects under CPEC could be utilized by the Pakistanis, Chinese, and international investors.

This quarterly magazine is an outstanding initiative taken by the CoE-CPEC that is going to benefit the intellectual community, diplomats, researchers, business entrepreneurs, academicians, and the students. I am of the view that such publications help a great deal in enhancing public horizon at large and policy recommendations would work as a quintessence for the government officials to draw a conclusion and implement them to further cement the developmental projects of CPEC.

## Mr. Sun Weidong

Former Chinese Ambassador to Pakistan

China-Pakistan Economic Corridor is a project of the Belt and Road Initiative, to which the leaders of our two countries have attached great importance and rendered active promotion. It has also won the across-board support from both nations as it aims to provide new opportunities to the citizens as well as bring new impetus and vision to China- Pakistan friendship.

CPEC is a long-term and systematic project to promote economic cooperation through collaboration on Gwadar port, energy, transportation infrastructure and industrial cooperation.

CPEC will bring enormous benefits to the people of China and Pakistan. With the completion of energy and infrastructure projects, conditions in Pakistan will improve. There will be more electricity integrated into national grid and the electricity supply will be more stable. People will enjoy more convenient transportation and a better livelihood. Alongside the major projects, we are setting up social welfare institutions, especially in Gwadar, in the form of primary school, vocational training center, and hospital with Chinese government's grant. We will also participate in medical, educational and training projects in line with the need of local people and translate the benefits of CPEC among them. For average persons, the outcomes of the CPEC are tangible, accessible and enjoyable to hundreds of thousands families across the country.

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## Chief Editor's Note:

**Dr. Shahid Rashid**
Executive Director

The historical love between China and Pakistan is exemplary and both have been supporting each other in the times of test and tribulations. In the same vein, China, our brotherly partner, has intended to invest at a time in 2013 when Pakistan had severe energy shortfalls and no other country was ready to wriggle us out from the economic conundrum we have been facing for the last decade. China-Pakistan Economic Corridor (CPEC) is a series of colossal economic activity which will certainly change the destiny of the Pakistani generations.

Centre of Excellence-CPEC (CoE-CPEC) is now one of the leading policy-based research centers that serve to provide inputs to the federal and provincial governments and implementers of CPEC Projects. CoE-CPEC develops professional researchers and policymakers pool to contribute to robust policy-relevant knowledge and up-gradation of governance capacities. Our mandate is to: conduct research on six thematic areas of CPEC, promote positive narrative on CPEC, guide implementers of CPEC on policy matters, and train business community on CPEC related business opportunities. Moreover, we have established Pak-China Study Centre in which two Master degree programs along with the diploma and short courses will be offered each semester.

This publication "CPEC Quarterly" is an effort to disseminate the most updated and authentic information about CPEC. I am sure that this magazine will go a long way by serving our effort to reach out all the relevant quarters and stakeholders including masses to know about the ongoing and futuristic projects of CPEC. CPEC Quarterly is divided into four sections for now but this will enlarge with the passage of time to equate the international standards of an informed public horizon.

### Lead Editor:

**Yasir Masood**
Deputy Director
Media & Publications

### Editor:

**Abid Khan**
Deputy Director
Media & Communications



This section will serve the most to the intellectual & diplomatic community, academicians, researchers, & students to enhance their horizon about the CPEC with all its manifestation including contemporary and discernible trends.



In this section readers will find many CPEC related projects update at one platform. All readers and in particular the Entrepreneurs will find it the most interesting section for investment purposes in different projects.



This section is a mix and match for the readers who will find it very interesting to keep any eye for urban development, financing and financial sector integration, socio-economic impacts, trade and Industry cooperation and regional connectivity under CPEC.



This section is solely dedicated to exhibit the Centre of Excellence-China-Pakistan Economic Corridor (CoE-CPEC) indoor and outdoor official visits, RTCs, MoUs, delegation visits, presentations etc.

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## CPEC-A STEP TOWARDS ENVIRONMENTALLY SUSTAINABLE SPECIAL ECONOMIC ZONES (SEZs)

**Dr. Saleem Janjua,** Policy Head, Urban Development Division, CoE-CPEC
**Ms. Numra Asif,** Research Assistant, Urban Development Division, CoE-CPEC

### INTRODUCTION

A roundtable conference was hosted at Centre of Excellence-China Pakistan Economic Corridor (CoE-CPEC) by Urban Development division under the title of "CPEC-A Step towards Environmentally Sustainable Special Economic Zones", organized by Dr. Saleem Janjua, Policy Head, Urban Development Division, Ms. Numra Asif and team members on May 25th, 2017.

Dr Shahid Rashid, Executive Director CoE-CPEC formally inaugurated the session with welcome remarks. He gave a detailed insight of CoE-CPEC. The centre is a joint initiative of PIDE and Ministry of Planning Development and Reform. It is the first authorized think tank working on CPEC portfolio. Centre of Excellence for CPEC aims to become an evidence-based research and policy guiding think tank on CPEC and thus guide policy makers, implementers; business community and society at large.

CoE-CPEC's pivotal focus is towards contemplating the potential synergy of CPEC's bilateral collaboration for both Pakistan and China. This roundtable conference was very crucial in allowing the participating delegates to comprehend the dynamics of the corridor.

The conference was preceded by Dr. Saleem Janjua, Policy Head, Urban Development Division. He explained the China Pakistan Economic Corridor, Special Economic Zones, and urbanization trends in Pakistan in detail. Overall, CPEC has a 1+ 4 portfolio. The project's nucleus is centered on energy, infrastructure, Gwadar, and Industrial Corporation. Holistically, the entire corridor includes 21 CPEC energy projects, 8 infrastructure projects, and 12 projects for Gwadar. Industrial cooperation, which is a relatively pristine concept that has been included in CPEC portfolio. To enhance Pakistan's energy profile, 16040 MW energy would be integrated in the system through CPEC energy projects. Several infrastructure projects are in progress and would be instrumental in elevating economic stability

Pakistan is highly urbanized. Statistics show an expansion in urbanization, and by 2025, 50% population would be in cities. There would be a massive population pressure on the cities, which needs to be contrived proactively and with a sustainable approach. For cities, natural systems, infrastructure, and the political and civil culture hold a crucial standing. CPEC in itself will alter the spatial pattern to great magnitudes as well as the urban dynamics of our cities. Therefore, the immediate need is to design careful and proactive strategies that address all challenges pertaining to the entire densely populated are

Dr Janjua's progressed with a brief introduction of Special Economic Zones. Special Economic Zone. (SEZ) is a blanket term for an assorted mix of industrial/export processing/trading zones with enterprises operating in a designated geographic area. These areas encompass certain economic activities tackled by a set of policy measures that are not generally applicable to the rest of the country.

Dr. Janjua mapped out the alignment of the session's objectives with the core research mandate. The Conference was structured into three sub sessions.

- Session I-Environmental Opportunities and Challenges for success of Special Economic Zone (SEZs). The session was addressed by Dr.Uzaira Rafique, Dean Faculty, Sciences and Technology, Fatima Jinnah Women University, Rawalpindi.

- Session II- Industry and Environment- Best Practices from the Globe. The session was addressed by Mr. Irshad Ramay, Cordinator UNIDO, and National Cleaner Production Center.

- Session III-Environmental Assessment Strategies-The way forward for Pakistan. The session was addressed by Ms. Fauzia Malik, Regional Head, IUCN, and Islamabad, Pakistan.

The roundtable conference concluded with a discussion among speakers and participants. The conference invited practical recommendations from all stakeholders who held interest in the alleviation of Pakistan's economic problems. By conducting similar sessions frequently, more propositions can be solicited. From December 2016, SEZ are focused, and are now a provincial subject. The plan for them is now being unfolded, and based on local endowment, industry specific to each location are being assessed. The need of the hour is to plan and design special economic zones that are environment friendly so that the long run sustainability is ensured. Environment should remain a top concern while development, since prevention is always better then cure. This is the right time to put up proposals to turn SEZs into green SEZs, and CPEC a green project.

## RECOMMENDATIONS

The conference concluded with an insightful discussion among speakers and delegates aimed at designing policies and recommendations to save the country from catastrophic environmental losses as a result.

Following important recommendations were made.

- Climate Change and environmental assessment in the form of some SEA (Strategic Environment Analysis) for all 9 Special Economic Zones (SEZs) should be carried out.
- There is need to ensure the climate change resilience development infrastructure in CPEC.
- Constructing a series of awareness raising and capacity building events on environmental and climate change issues. Also, the outcomes for CPEC need to be implemented in areas by taking all relevant stakeholders on board.
- Trainings on areas such as Clean Development Mechanism, Nationally Appropriate Mitigation Actions and Green Climate Fund are mandatory for relevant stakeholders to tap additional source of funding for all tangible projects under CPEC.
- Biodiversity and ecotourism should be considered during project planning and implementation. Biological Corridors may be considered as an important option.
- Sustainable development can only be ensured when environmental and social externalities are accounted for.
- All SEZs should be assessed properly by carrying out detailed feasibility reports.
- Environmental laws differ from province to province. As the nine SEZs are spread across provinces, this stage the regulatory and legislative structure among the provinces should be harmonized.
- In SEZ Act, 2012, waste management is a critical segment but it should be tackled within budgetary constraints.
- All environmental laws are a part of SEZs development so all relevant authorities should be included during the SEA process gives a cumulative picture in this regard.
- Feasibility analysis for SEZs should be done. Each zone should have its specialization clearly demarcated. Also, all SEZs should be connected to near urban centers, so that SEZs can be kept sustainable.

From December 2016, SEZ are a focal point at a provincial scale. The plan for them is materializing. Based on local endowment, industry specific to each location is being assessed. Special economic zones need to be constructed with regulations that translate into environmental safety and sustainability. This is the appropriate time to invite proposals with the ambition to transform SEZs into green SEZs, and this entire corridor into an environment friendly project.

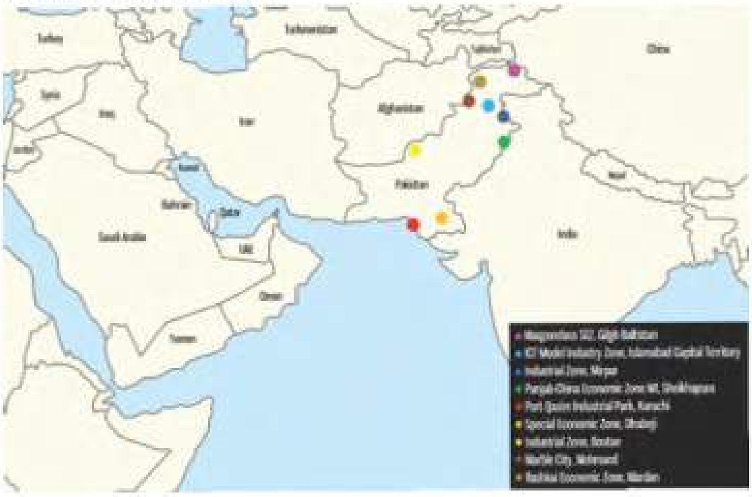
# ROUND TABLE CONFERENCE

## SOCIO-ECONOMIC IMPACTS OF 9 SEZS UNDER CHINA PAKISTAN ECONOMIC CORRIDOR

Dr. Amir Khan, Policy Head, Socio-Economic Division, CoE-CPEC
Muhammad Muzammil Zia, Acting Policy Head, Job Growth and Human Resource Development, CoE-CPEC
Beenash Afzal Malik, Research Assistant, Socio-Economic Division, CoE-CPEC

This report summarizes the outcomes of the meeting and the consequential recommendations. The purpose of this RTC was to invite specialists from all the sectors including MoPD&R, Chambers, BOI, and academia and invited their suggestions with regards to catalyzing Pakistan's transition towards economic revival.

The conference was designed to advance in three sessions, the first session "SEZs and Maximization of Socio-Economic Benefits" holding emphasis on constructing an understanding of SEZS and their impacts they would foster in the natives, the second session "Global Perspective of Socio-Economic Impacts of SEZs" bringing the socio-economic benefits of SEZs towards the point of convergence while the third session "Role of Provinces: Socio-Economic Outcomes of 9 SEZs under CPEC" explored the role of provinces on CPEC.



The 9 SEZs have been proposed in 6th Joint Cooperation Committee (JCC) 2016. A Special Economic Zone (SEZ) is a specific area of the land used to promote industrial growth in a country by providing more lenient economic and tax policies as compared to general economic policies in a country. SEZs are being defensible not only in the terms of export expansion but also as an engine of growth and employment generation. There are various models of SEZs across the globe like those of India, Bangladesh, Russia, and China. China is one of the success stories as far as the functioning of SEZs is concerned. There are 9 proposed SEZs to be developed under CPEC, named below:

1. China Special Economic Zone-Dhabeji (Thatta) located in Sindh
2. China Economic Zone, M-2 District Sheikhupura located in Punjab
3. Rashakai Economic Zone, M-1 located in KPK
4. Bostan Industrial Zone located in Balochistan
5. Moqpondass, Gilgit SEZ
6. Model ICT Industrial Zone, Islamabad
7. Development of Industrial Park on Pakistan Steel Mill, Land in Port Qasim located near Karachi
8. Mirpur Industrial Zone, AJK
9. Mohmand Marble City Located in FATA.

### Key Insights from the Round Table:

• Merely adjusting Pakistan's existing SEZs model will not be sufficient. A radical rethink is necessary if the country is to use SEZs as productive economic instruments. CPEC Centre's Round Table produced important insights relevant to the development of a new SEZ programme, which is summarised in the lessons below. Special economic zones must be special:

If Pakistan's SEZs are to succeed, they need to offer investors something significantly different from what is available in the rest of the economy. Precisely what a SEZ offers, and how this differs from conditions elsewhere, do it provides the benefits to the lower strata of the population, depends on the goals of the SEZ programme. These, in turn, depend on national priorities. The very successful SEZs established on China's east coast in the 1980s, for example, were aimed at attracting foreign investors who could not penetrate into China's closed economy. Apart from superior infrastructure, the Chinese zones offered a radically different investment regime, including strong property rights and the freedom to repatriate profits. This encouraged investors to build factories and drew on China's huge labour force. Few SEZs offer such a dramatically different set of institutional rules relative to the host economy as did those of China's east coast, and few are as big or as well-located. Nevertheless, the Chinese zones illustrate that SEZs need to offer investors something different if they are to markedly improve a country's economic prospects. Importantly, international evidence suggests that SEZs are most successful when they are targeted toward particular industries and offer concrete solutions to the challenges faced by those industries.

- **The costs and flexibility of employment matter:**

Businesses in SEZs are most likely to create large numbers of jobs if the package of benefits derived from locating in the SEZ meets the needs of labour-intensive industries.

This could be controversial as the major constraint on such firms is usually the labour market regime, which typically enjoys the support of key constituencies and interest groups. Nevertheless, flexible labour markets are essential if SEZs are to be globally competitive and attract labour-intensive industries. In this context, the degree to which a labour market may be thought of as flexible is only partly related to the existence and level of minimum wages. Other important aspects of the regulatory regime are overtime rules, legal conditions governing temporary employment and/or piece-work, shift systems, rules of dismissal, and so on. Flexibility is most important for labour-intensive industries, many of which operate in conditions in which order-flows from customers are erratic. Employers' ability to adjust the size of their workforce in response to these variations is an important determinant of their competitiveness and may be more important than wage levels.

SEZs are badly suited to uplifting poor regions, some of the least successful SEZs have been set up as vehicles for developing poorer regions of a country. The weakness of this model is that there are often good reasons why some areas are less developed than others: a lack of infrastructure, limited access to skilled labour, distance from markets, etc. To overcome all these disadvantages, SEZs would have to offer extensive subsidies or require levels of investment in public infrastructure that are not economically viable.

- **SEZs don't work unless government gets behind them:**

Effective SEZ policies and operations require the coordination of a number of government departments. Generally, the highest levels of government must be committed to making SEZs work, if only because the zones will require government entities to do some things differently from how they do them elsewhere. Achieving this requires strong leadership and high levels of political oversight, often for a sustained period. International best practice, suggests that SEZ regimes should be administered by an autonomous but powerful government authority which:

- Oversees the administration of dedicated laws, regulations, and practices inside the SEZs;
- Provides regulatory oversight for the SEZs' developers, operators, and occupants;
- Ensures the efficient delivery of various services (including regulatory services); and
- Regulates economic activity, controls land use and acts as the principal interface with private developers and operators.

## CONCLUDING REMARKS AND RECOMMENDATIONS

- All the 9 SEZs areas need to be strategically analyzed through surveys to assess how the general public will be impacted by CPEC's developmental projects. The survey is crucial in assessing current socio-economic conditions of the SEZs, aimed at quantifying the benefits SEZs hold for the general masses. Moreover, for the baseline survey, Zone of Influence (ZOI) should be surveyed for 10 KM radius.
- There is a dire need for group discussions and roundtable sessions for conducting a pre and post analysis at present as the zones are still in the development phase.
- Involvement of the Chambers is essential in order to acquire a clear picture of SEZs.
- Once implemented, these SEZs will be able to enhance country's productive capacity; expand its exports base; and provide a major impetus for economic and social development through their backward and forward linkages with the rest of the domestic economy.
- Pakistan can only gain benefits from the corridor if the local and provincial government lend support and assistance for the successful execution of SEZs.
  Benefit accruing should be impartial for both China and Pakistan.
- There is a need for a comprehensive study for conducting a comparative analysis of existing SEZs.
- NEVTA and TEVTA need to step into nurture skill development to cater to a brain drain in the country.
- National Productive Organization should work to enhance the labour productivity to increase exports.
- The potential environmental impacts of SEZs hold massive significance and measures need to be taken for their mitigation.
- The government should create areas where it is considerably easier to establish and run globally competitive businesses particularly labour-intensive businesses – than it is elsewhere in the economy.
- The government should also use SEZs as a testing ground for new policy options. Locating those experiments in separate enclaves will allow the government to reduce or avoid confrontations with entrenched interest groups opposed to wider reforms.
- We have to make sure that the country does not fail to capitalize on the opportunities that can be delivered by successful SEZ programmes, which have proven their worth around the globe
- The international experience is clear, and our past experience with SEZs is a lesson in what not to do. SEZs represent a major opportunity to do things differently. Pakistan needs to address the factors hindering its competitiveness.

# DEBUNKING MYTHS ON CPEC

**Prof. Ahsan Iqbal**
Minister of Interior & Minister of Planning, Development & Reform, Pakistan

Recently, quite a few stories have appeared on the China-Pakistan Economic Corridor (CPEC) in both local and international publications. A lot of traction was gained by the cynics of CPEC by reporting factually incorrect information. Consequently, myth spurring on CPEC is on the rise. I am going to take this opportunity to debunk these myths by stating the facts.

A pointless controversy was created on the Long Term Plan (LTP) by a recent article featured in a local English-language newspaper. The report published as 'LTP' in that article was an initial draft by the China Development Bank (CDB) and not a part of the agreed LTP. That article basically cherry-picked information from different sources to present a distorted picture of the LTP. The fact is that the government of Pakistan has prepared its own plan after multiple stages of consultation with provinces, federal ministries and their respective technical groups. The LTP has been prepared to develop Pakistan in line with the seven pillars of Vision 2025 which are

predicated on the notion of inclusive and sustainable development. The main pillars of LTP are connectivity, energy, industries and industrial parks, agricultural development and poverty alleviation, tourism, cooperation in areas concerning people's livelihood and financial cooperation. It was shared with the Chinese authorities following approval by the cabinet.

The Chinese side has given its approval in principle, however, its formal approval is expected by the end of this month, as our Chinese counterparts were occupied by the Belt Road Forum. As soon as we get the official approval from the Chinese side, we will put the LTP on the CPEC website.

One of the biggest myths propagated on CPEC is that Pakistan might become a colony/province of China. Any historian would tell you that colonialism and imperialism are legacies of countries of the global north. China has never invaded any country nor harboured any imperial designs. Cynics point out towards rising trade deficit with China as a reason to show concern on CPEC. The reality is that China's competitiveness in exports is universal and not idiosyncratic to Pakistan. Pakistan's current trade deficit with China is $6.2 billion. In comparison, India's trade deficit with China stands at $47 billion. The US trade deficit with China is $347 billion. Based on these trade deficit numbers, is it appropriate to infer that the US or India are becoming colonies/provinces of China? Certainly not. Similarly, it is ludicrous to make such claims about the Pakistan-China relationship. Both countries respect the sovereignty of each other and CPEC is based on the shared vision of both countries: Vision 2025 and OBOR.

At present, only a few thousand Chinese nationals are living in Pakistan and making a positive contribution towards our economy, the majority of them fall in the category of temporary labour migrants who will return back upon completion of the projects. In contrast, around 8 million Chinese are living in Malaysia, 400,000 in France; 600,000 in Japan; 900,000 in Canada and over 2.5 million are living in the US. Therefore, to say that Chinese are overtaking Pakistani society is nothing but a farce. Chinese nationals working in Pakistan are our national guests as they are helping us to build a developed Pakistan.

Another myth spread on CPEC is that China is dictating terms to Pakistan and the federal government is not consulting the provinces. The reality is quite the opposite. China and Pakistan work jointly in making an overall planning for a unified development of CPEC projects. In this regard, the Long Term Plan, Transport Monographic Study and respective MoUs guide the policy for CPEC.
All provinces have been consulted and invited to all meetings within Pakistan and abroad for their recommendations and review of CPEC projects. Earlier this month, the chief ministers of all four provinces under the leadership of PM Sharif attended OBOR Summit in China. On 29th December 2016, all CMs participated in the 6th JCC meeting which was held in Beijing. For institutional arrangement and development of CPEC,

the National Development and Reform Commission (NDRC) of China along with the Planning, Development & Reform Ministry of Pakistan have constituted subsidiary working groups of the Joint Cooperation Committee (JCC) on planning, transport infrastructure, energy, Gwadar and industry cooperation.

Since the signing of the MoU in July 2013, six meetings of the JCC have been held. The highest officials of every provincial government are represented in JCC meetings. It is impossible to hide or misrepresent any information on CPEC from provinces. Information on ongoing and agreed CPEC projects is available on the official website of CPEC. Moreover, the planning ministry is always available to address any queries regarding CPEC. All the Chinese companies involved in CPEC projects are nominated by their government. Therefore, there is no question of favouritism on the part of the government of Pakistan.

Another myth propagated around is that Pakistan is not going to gain any economic benefits from CPEC and it is tantamount to the 2006 Free Trade agreement (FTA) with China. First of all, let me explain that an FTA works out on the basis of demand and supply of market forces. China enjoys a competitive edge in exports vis-à-vis all other economies of the world, including Pakistan, whereas CPEC is qualitatively different from an FTA. It provides necessary stimulus to kickstart the processes of industrialisation in Pakistan. Without sufficient electricity and adequate infrastructure, it is not possible to carry out industrialisation.

CPEC brings $35 billion investments in energy projects. Alongside coal, clean and renewable energy projects are part of the CPEC energy portfolio. The existing energy policy was made before the CPEC MoU was signed between China and Pakistan. Prior to CPEC, nobody was interested in making investments in our energy sector. At that crucial time, China took a lead and demonstrated to the world that Pakistan is a reliable and secure destination for foreign investments. Energy investments under CPEC will remove a major bottleneck that is in the way of realising high economic growth. It will reinforce the main grid structure, power transmission, distribution network, and improve power supply. Currently, 14 energy projects are in the implementation stage. Through CPEC projects, 10,000MW of electricity will be added to the national grid. Only 16,000MW was added to the national grid from 1947 to 2013. Moreover, energy projects under CPEC are not funded by Chinese loans instead they are undertaken in the IPP mode regulated as per NEPRA tariffs. Average cost of these projects is lower than the current cost of production of energy.

Under CPEC, new road and rail networks are to be built in all four provinces to enhance and improve connectivity within Pakistan. In addition to economic benefits of connectivity, social and regional cohesion will increase within Pakistan and in the region. Once energy and infrastructure bottlenecks are addressed, it is estimated that GDP will at least increase by more than 2 per cent from its current trend.

Similarly, one of the important components of the CPEC framework is industrial cooperation. Nine industrial zones were included in it with equal representation of all provinces. The cost of production is steadily increasing for many industries in China due to increase in wages. It is estimated that 85 million jobs will be relocated and countries in the Far East, Asia and Africa are competing for these jobs. Pakistan wants to secure a big share of the relocation of these industries and jobs. Once relocated, this will create a huge demand for labour in Pakistan and enormous employment opportunities will be available for Pakistanis.

In the current projects of CPEC, two thirds of the workforce is Pakistani and only a critical mass of labour force comes from China. This is a great opportunity for the Pakistani workforce to learn and update their skills from their Chinese counterparts. Already a boom in steel, cement and construction industries has created multiplier effects in the overall economy.

Economic benefits of CPEC are net positive for Pakistan. CPEC is a golden opportunity for Pakistan to undo the mistakes of the past and we, as a nation, cannot afford to be complacent about it.

Published in The Express Tribune, May 25th, 2017.

# THE SKY IS FALLING: ECONOMIC OUTLOOK FOR PAKISTAN

**Dr. Asad Zaman**
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When an acorn fell on Chicken Little's head, the ruckus she raised convinced a crowd of spectators of imminent disaster. Similarly, many writers are describing current economic scenario of Pakistan as one of skyrocketing debt, nosediving exports, leading to doomsday at the IMF's door in the near future. This gloom-and-doom contrasts with recently published World Bank Economic Outlook's projections of accelerating growth for Pakistan, exceeding those of the BRICS countries. How can Pakistan join the Asian Tigers, as projected by some eminently respectable economics experts, when the economy is headed for imminent collapse? Although it appears mysterious to laymen, high budget and BOP deficits, appropriately handled, are actually the drivers and engine of high growth.

To understand this paradox, we must revisit the two-gap growth model for development, which was relegated to the sidelines when Chicago Style free market economics, formatted as the Washington Consensus, took over the world. The Chicago model has taken a beating in the past two decades, when capital flow liberalization led to the East Asian Crisis, financial deregulation created the Global Financial Crisis, and privatizations everywhere have led to higher prices at lower quality and increased corporate profits accompanied by increasing misery of the bottom 90%. Even John Williamson, the inventor of the Washington Consensus, and the World Bank, which implemented it across the globe, have admitted the failure of these free market policies to produce development. The central idea of "free market fundamentalism," that if we just stand aside and let the market do its magic, everything will turn out wonderfully, has been thoroughly refuted by growth experiences throughout the globe.

Turning away from the mythical magic of markets, the two-gap model is based on some very simple, common sense, and easy to understand ideas. There can be no doubt that to increase growth, we must invest in our future. Investments cost money which is in short supply in poor countries. A portion of the needed investment can be financed in Rupees; shortfalls in savings required for this purpose leads to the first gap. Another portion of required investment, like energy and high-tech products, requires foreign exchange; shortfalls in exports create the second gap. Poor economies fail to grow at their potential because they cannot fill the two gaps required for investing in their own futures. The solution lies in a "Big Push" where heavy domestic and foreign borrowing is used for massive investments which radically increase future productivity, and place the economy on a long run higher growth trajectory. This theory conforms very well to the current economic scenario in Pakistan, as we will now show.

When we say that Pakistan is running a deficit, this is not, by itself, a cause for alarm. The question of burning importance is: what is the government doing with the money it borrows? If it finances luxury imports for corrupt officials, or speculation in lands and stocks, or other types of non-productive uses, than an expanding deficit can cause great damage. Similarly, drawing down foreign exchange reserves can be extremely beneficial if it is used for imports of energy and capital goods which increase economic productivity. It is true that the deficit and the trade gap has increased, but before learning why, and doing some projections of future impact of these twin gaps, it is foolish to raise a ruckus about these matters.

Let us have a look at the cause of these twin deficits what are we buying with what we are borrowing? After all, everyone knows that if your son gets admission into a top university, you must borrow to finance his education, because the returns to graduation will be much higher than the current investment required to finance it. One of the critical bottle-necks for the Pakistan economy has been energy. More than $35 billion is being spent on a wide variety of energy projects, many of which have already come online; this is reflected in our daily lives, where blackout timings have been significantly reduced. It projected that self-sufficiency in energy will be attained this year, and substantially greater energy will be available as the multiple projects under way come on line. About 23% of our imports have been in the energy sector, and these have also seen the maximum growth of 35% in the recent past. While this is bad news for current account foreign exchange reserves, it is very good news from the perspective of our projected future energy profile. The increase imports are not due to higher energy prices, but due to higher quantum, which is obviously contributing to GDP growth. An additional good news about energy is that, as our investments in energy projects come on line, our foreign exchange requirements for energy imports will be significantly reduced.

Although our weak export performance has been due to multiple causes, energy shortages have been a very significant factor. The availability additional energy, both domestic and imported, has had a dramatic impact on our economy, which is just starting to be reflected in the statistics. The growth rates in services, industry, and agriculture have hit record highs, and are projected to be at a ten-year peak next year. This broad-based recovery is supported by a large number of factors. The nation-wide decline in terrorist activity is reflected in record high domestic tourism figures; people in Pakistan have learned that our country is safe for travel, although the news has yet to reach the foreigners. In particular, the improvements in the security situation in Karachi have had a major beneficial impact on the economy. It will come as a surprise to the readers, but our exports are recovering, and have shown a healthy increasing trend, catching the global tide of increasing trade. The BOP is deteriorating because the imports have increased much faster. But more than 50% of these imports are intermediate goods like energy, machinery, metals, etc. which increase our productive capacity. Our projections show that there will be a further decline of reserves of 2 to 3 billion dollars, before we begin to see a favorable turn in the Balance of Payments starting in 2019. Given that we have built up a comfortable cushion of reserves in the past few years, it would be folly not to use this money to enhance the productive capacity of our economy, moving us onto a higher growth pattern, when we can easily afford to do so.

Even though we have botched many golden opportunities for significant increases in exports in the past, the future potential remains bright. The most recent gaffe occurred recently when Pakistan earned the goodwill of Iran by taking a solitary courageous stand, resisting pressure to join an alliance against Iran and Qatar. The president of Iran chose to honor us with a visit in recognition. The enormous potential payoff in terms of improved trade relations with Iran was sabotaged by front page headlines on the same day, regarding a minor Indian spy captured more than a month ago, which relegated the Iranian visit to the back pages. Our failure to give significance to visit was duly noted, and our relations with Iran became even worse in the aftermath. Nonetheless, a well-designed diplomatic initiative to Iran can yield tremendous benefits in multiple dimensions, including increased exports.

In addition to the major energy projects, we are borrowing to pay for a massive transport infrastructure (roads, train tracks, and Gwadar seaport) which will radically transform the landscape of Pakistan. The effects of the early harvest parts of the road building are already visible. The road from Gwadar to Kashghar has started to carry goods, and the first shipment from Gwadar has already left the part. The desert surrounding the link road from Gwadar to Quetta has started to bloom. The increase in value of the land around the new roads would easily repay the domestic debt, but government has been inept in capitalizing on this golden opportunity. However, this merely means that the benefits go to the private sector, which has indeed capitalized on the Gwadar real estate bonanza. There is every reason to believe that with proper handling, Gwadar can indeed overtake prosperous Dubai as the leading seaport in the area. Our current foreign exchange deficits are required to finance the investments in development of a major international seaport which will bring in the foreign exchange required to create the desired improvement in our BOP in the long run. The impact of increased connectivity which will be created within Pakistan by the network of roads and train-tracks currently under construction cannot be calculated or measured in terms of billions of dollars alone. This connectivity will transform social structures and ways of living in remote and backward areas beyond recognition indeed, the beginnings of the process are already visible. The direct economic benefits of being able to quickly and cheaply bring agricultural produce to major markets and seaports will bring unprecedented prosperity to the agricultural sector, lifting the rural areas out of centuries old cycles of poverty.

At this point, those who have been taken in by the doom-and-gloom scenarios in popular press may be wondering if this is merely a pie-in-the-sky vision, which exists only in the imagination of the author. The roads are there on the ground; take a drive from Gwadar to Quetta to witness the bloom in the desert as ancient communities surrounding the roads prepare for the windfall created by availability of quick transport to major cities. All over Pakistan, power plants nearly complete have added about 2000 MW, and many more projects have been initiated. The port in Gwadar is already functional, though much more work is required to bring it up to the standards of Dubai. All over Pakistan, construction is taking place at a fast and furious pace, visible for anyone with open eyes. The ancient Silk Road, which changed the destiny of this region in the distant past, has already been re-constructed, making it possible to take our exports to China by road.

The potential that exists is far greater than the tiny portion which has been realized to date. Opportunity is knocking, and requires a broad based, multi-dimensional, cooperative effort to realize. A few years ago, Mahathir Mohammad said that the key to the transformation that occurred in Malaysia was a change in mindset that created unity. The different parties agreed to cooperate to increase the size of the pie so that even a small share would be more than what they could get by fighting each other over a shrinking pie. Today, the keys to a transformed Pakistan lie in creating national unity, overcoming sectarian, regional and political divides in order to take advantage of the massive resources in agriculture, energy, and raw materials that God has gifted us with. We need to change our mindset from "The Sky is Falling" to "The Sky is the Limit", and realize that there is more than enough for everyone, if we cooperate to build a better Pakistan.

# CPEC: CALLING THE SHOTS

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Since 2013 when the idea of a China-Pakistan Economic Corridor (CPEC) was first conceived till date, naysayers have directed quite a bit of criticism at this mammoth set of landmark projects. By the time Beijing hosted the 'Belt and Road Forum' much of that criticism began to implode, leaving behind a trail of far-fetched fears.

Calling CPEC a 'debt-trap', the detractors continued to inject toxic trepidations into people's minds. These adverse views which are lapped up by our antagonistic neighbourthreaten to disrupt Pakistan's economic leap-frog. In this piece I will endeavour to assess some of the broader contours of CPEC's cost-benefit analysis without referring to the economic and financial jargon and make it understandable to the masses and cast off any misgivings about CPEC.

To begin with, the critics must admit, the internationally well-established economic truism, that an underdeveloped and middle-income country must attract foreign direct investment (FDI) to strengthen its ability of producing both exportable merchandise and import substitution products. This serves as the most significant economic tool for any developing economy, including Pakistan, to overcome the economic shortfalls and address the adverse situation of mounting deficit in its balance of payment schedule. Pakistan is on the deciding juncture to encourage and promote small and medium size entrepreneurship to flourish under the banner of CPEC. This economic boom will bolster work opportunities for all segments of human resource in Pakistan.

To counter the nefarious narratives of the critics against CPEC, let's first understand that the inflow of the funds from China, now estimated to be $62 billion: (a) $36 billion as Chinese investment in power projects which will add up 7,000-11,000 MW to the national grid by 2018. This sum will have no direct financial implications on Pakistan's external payment obligations and; (b) $26 billion in a Chinese government loan, dedicated to building infrastructure. Since the inflow of funds as loans and FDI has dissimilar financial implications; therefore, a separate evaluation is direly needed to compute some of the major benefits as under.

Pakistan's economy has severely suffered because of the energy crisis over the last decade or so. A much-needed uptick in power generation under CPEC will help revitalise the worst-affected industrial sectors. And particularly the cotton textile production and apparel manufacturing, which are the country's largest industries, accounting for about 66 per cent of the merchandise exports and almost 40 per cent of the employed labour force. It will also help rejuvenate the remotely located cottage industry, small size manufacturing, agriculture and mining industry businesses to become commercially viable and contribute its due share of the GDP, on the one hand, and create more job opportunities in the far-flung areas on the other.

It is a misgiving that the Chinese power companies would be availing higher tariff rates. The National Electric Power Regulatory Authority (Nepra) has not mentioned any such concessions or exemptions and has to act according to its jurisdiction to maintain uniformity. Similarly, other regulatory bodies will also look after the environmental hazards, avert abuse of dominant positions, ensure recovery of other levies, implementation of labour laws, and above all, the vibrant and robust courts can swiftly act to protect the constitutional rights of the general public as per laws of the land.

The second part, which will be an interest-bearing loan, that constitutes about 40 per cent of the total $62 billion chunk under the CPEC framework will not overburden Pakistan's ballooning current and future foreign payment liabilities, as dreaded by some critics unfamiliar with repayment dynamics. Pakistan has been borrowing from the IMF at an interest rate ranging from 5 to 10 per cent just to avert the default on external payments in time. Whereas CPEC loan will be carrying an aggregate interest rate of not more than 1.9 per cent per annum and even below, repayable in a period stretched over 25-30 years and even more.

Reimbursement of the loan with markup, which is estimated to be around $1.5 billion per annum, will start in 2019 and after gradual increase would remain within the range of $4.5 to $5 billion even in the peak years. This additional burden on account of CPEC's loan would be quite nominal when compared with its eventual upshots briefly calculated below.

Pakistan's existing transportation network is quite dilapidated and causing a huge loss of around 3.5 per cent of the country's annual GDP as estimated by the government. According to the IMF, Pakistan's total GDP in 2016 was around $285.153 billion of which 3.5 per cent amounts to $9.98 billion. Improvement in the transportation network under CPEC will considerably cut down such losses, thereby reducing Pakistan's oil import bill and related transport equipment. Similarly, Pakistan's national exchequer will be earning around $6 to $8 billion a year under toll tax revenue, etc.

Put together, the above two explained sources of income and savings alone will be substantially higher, when matched with the disbursement of loan and debt service liability to China and that too insignificantly spread over a period of 25-30 years and even more.
Furthermore, under the CPEC portfolio, a tourism corridor stretching across 190 kilometres would be constructed in Azad Kashmir a valley with mesmerising scenic beauty. The CPEC long route passing through a magnificent landscape in the south and some of the world's most scintillating peaks in the north will be a great source of tourism. Travel tourism of Pakistan was estimated to the tune of $18.471 billion in 2015, which is likely to swell to $32.702 billion (7.0 per cent of the GDP) and even much more in a few years.

On May 13, China and Pakistan signed a MoU to fund and develop Pakistan's Indus River Cascade which has a potential of producing 40,000MW of power. For CPEC's naysayers, this is yet another rebuttal of their fallacious arguments.

Pakistan is on the cusp of changing its fortunes through the bounties of CPEC and opposing such a colossal economic turnaround on any grounds would be just plain silly.

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# CPEC: FROM DREAM TO REALITY

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### 1. Pak-China Friendship & CPEC:

CPEC was a dream and it is well understood that dreams can only be achieved by hard work, passion, and commitment; actually, this is what we are observing in case of China-Pakistan Economic Corridor.

Having entered into an arrangement for economic development and regional connectivity, currently reached around at the US $57 billion, China and Pakistan have mutually consented to take on hard work, passion and commitment in a strategic economic partnership in order to transform both countries under the initiative of the China Pakistan Economic Corridor (CPEC).

With prospects of Pakistan transforming into a geo-economic hub, with the help of the Chinese and China gaining links to connect to Continental Europe, Africa, and the Middle East via Pakistan, a multitude of projects under CPEC have promised to lift millions out of poverty, providing employment through textile, industrial park projects, construction of dams and power stations and their respective transmission lines. The networks of highways, railway lines, and optic fiber connectivity will surely increase private funding and employment. Fully equipped hospitals, technical and vocational training institutes, water supply and distribution in undeveloped areas will also improve the quality of life of people.

Investments by China will approximately double the Pakistan current growth rate thus having a positive impact on the present GDP of USD $285 billion. The corridor for Pakistan would generate more businesses, reduce poverty, create job opportunities and provide infrastructure to almost the entire region with accesses to warm waters.

### 2. Journey towards CPEC:

Initiated from the early 50s, Pakistan and China's mutual cooperation consists of respect for one another and a deep rooted friendship. Figure1 illustrates the step-wise highlights of the Pak-China friendship; highlighted from the very first conglomeration in the 50s to imminent project-based dates.


*Figure1: Few highlights of Pak-China friendship*

Now at a worth of around $57 billion, the Pak-China friendship has been transformed from geo-political to geo-economic and is to further oversee projects that will appeal to the building of highways, railways, optic fiber connectivity and special economic zones-both in Pakistan and China.

### 3. Starting from MoU:


*Figure2: MoU on CPEC*

MoU of cooperation on the development of CPEC Long Term Plan till 2030 was signed on 5th July, 2013 in Beijing. In November 2013, the National Development and Reform Commission (NDRC) entrusted the compilation of the Long-Term plan on China-Pakistan Economic Corridor. In August 2014, after communicating with NDRC and Ministry of Planning Development and Reform of Pakistan, the China Development Bank (CDB) completed the outline of the Long-Term Plan and submitted it to the Joint committee of CPEC for rumination and it was accepted by them.

In mid-May 2015, the compilation of draft plans on the "overview and six special fields" of the "China-Pakistan Plan" was completed. After taking in the two special fields of energy and transportation, the drafts were formally submitted to the Chinese Secretariat (i-e. Department of International Cooperation of NDRC) under the China-Pakistan Joint Committee for soliciting the comments.

Chinese President Xi Jinping visited Pakistan in April 2015 and laid down the foundation of CPEC, with Prime Minister of Pakistan; Muhammad Nawaz Sharif. It is the worth of around $46 bn projects. It was decided to build up cooperation in energy, Transport, Infrastructure, Gwadar and Industrial Cooperation. Progress on Long-Term plan (LTP) was also included in that list. Transparency and work efficiency are the main pillars which were proposed in that meeting.

## 4. Institutional Framework:

Almost 50 meetings regarding project review have been chaired by Professor Ahsan Iqbal, Minister of Planning Development and Reform of Pakistan with the presence of all representatives of Federal Government and all provinces. CPEC secretariat of Pakistan is quite active in materializing the projects under CPEC umbrella, while a research think tank, Centre of Excellence for CPEC is also working on all research-based areas since 2016.

A structural institutional framework was formed for the progress and implementation of the projects which is based on Joint Cooperation Committee (JCC) at the top which is co-chaired by Minister of Planning Development and Reforms (PD&R) Pakistan and Vice Chairman of National Development and Reforms (ND&R) committee, China. There are five Joint Working Groups (JWGs) moving under the JCC and each of these groups includes experts from China and Pakistan. Following is the institutional framework of the CPEC (see figure 3.)

The first meeting of JCC was held on 27th August 2013 in Islamabad and number of projects had been discussed in that. Till now, 6 JCC meetings have been organized, including the last JCC which was held on 29th December 2016 in Beijing:

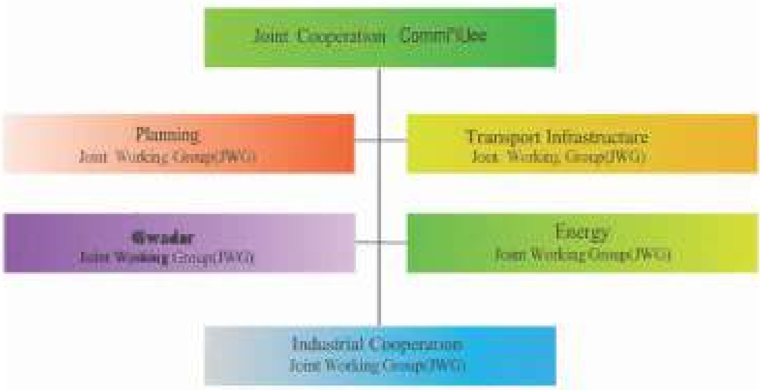


*Figure3; Institutional framework of CPEC*

2 meetings of JWG of Planning, 4 JWGs of Transport, and 5 JWGs on infrastructure, 5 JWGs for Gwadar and 1 JWG for industrial cooperation have been organized so far.

## 5. 1+4 Portfolio

A 1+4 Portfolio has been adopted for CPEC (see figure 4) where "1" refers to The Corridor and "4" are its components including Energy, Infrastructure, Gwadar and Industrial cooperation. The Long Term Plan is the cardinal part of CPEC and it includes following areas;

### Long Term Plan of CPEC

- Connectivity
- Energy
- Trade & Industrial Parks
- Agricultural Development & Poverty Alleviation
- Tourism Corporation in areas concerning people livelihood
- Non-governmental Exchanges
- Financial Corporation


## 6. CPEC Implementation

The China Pakistan Economic Corridor (CPEC) has been initiated as the pilot corridor of One Belt One Road (OBOR) or Belt and Road Initiative (BRI) of President Xi Jinping of China in 2013 and with the passage of time it has been widely regarded as the "Flagship" project of BRI. Few of the reasons of CPEC being able to become the flagship of BRI are given below.

- All weather iron brother relationship between China and Pakistan which has been proven through decades
- Pakistan's positive and proactive response to join the BRI in 2013
- National Consensus on CPEC has been established in Pakistan by conducting an All Parties Conference (APC) by

Prime Minister on 28th May, 2015 and subsequently a Senior Leadership Conference on 16th January, 2016.

• A "1 + 4" cooperation mode has been adopted with "1" refers to CPEC as the core of cooperation between both the countries and "4" are the priority area of cooperation namely energy, transport infrastructure, Gwadar and industrial cooperation. All of the aforementioned areas were fundamental for Pakistan to remove bottlenecks of socio economic growth and to tap the significant potentials untapped before the inception of CPEC.

• Appropriate development of an institutional framework to plan, manage, evaluate and control the CPEC portfolio through Joint Cooperation Committee (JCC) at the top which is co-chaired by Minister for Planning, Development and Reforms (PD&R) of Pakistan and Vice Chairman of National Development and Reforms Committee (NDRC) of China. Setting up of five Joint Working Groups (JWG) including each for planning, energy, infrastructure, Gwadar and Industrial Cooperation which are working under the JCC and are resourced by the relevant experts of both the countries. Also to keep the projects on track and meet deadlines, Inter-ministerial Progress Review Meetings (PRM) were carried out under the chairmanship of Minister (PD&R) and attended by all relevant federal and provincial ministries, departments, institutions, project stakeholders and officials from Chinese Embassy and enterprises in Pakistan.

• Smart implementation of the institutional framework to unfold CPEC from dream to reality. For instance, since signing of MoU of CPEC on 5th July 2013, six JCC meetings have been carried out including more than 50 MoUs for different projects of energy, transport infrastructure, Gwadar and industrial cooperation were agreed of worth more than $50 Bn. Two JWG meetings of planning, five of energy, five of transport infrastructure, three of Gwadar and two of industrial cooperation have been carried out. Fifty PRMs were undertaken which helped a lot to remove all the bottlenecks of the projects and meet the project completion date.

• Practical development priorities have been kept and the CPEC long term portfolio has been divided into Early harvest projects (up to year 2018), Short term projects (up to year 2020), Medium term projects (up to year 2025) and Long term projects (up to year 2030). Accordingly, careful selection of the projects was carried out. For instance, acute electricity shortfall was impacting badly at all walks of life including industries and hence in early harvest electricity generation and transmission projects have been prioritized.

Similarly, rest of the areas of cooperation were focused. Security is another key area to look at for the confidence of the business community and economic prosperity. Special Security Division (SSD) comprising of 9 army composite Battalions (9229 personnel) and 6 civil armed forces (CAFs) wings (4502 personnel) have been raised.

7. **Benefits & Opportunities**

CPEC is not only a multifaceted project; it is a flagship project of China's Belt and Road Initiative. It is expected that:

• around 700,000 jobs will be created through CPEC projects

• a huge number of Foreign Direct Investment will come to Pakistan, which will uplift the economic growth and development

• cultural exchanges will be the byproduct of this project

• technological innovation and skill development would play an immense role in the prosperity of the country

• around 2% increase in GDP growth is expected

• energy sufficiency

• modernize transport infrastructure and network

• significant transit fee is expected

• the market for fisheries and many other products through the inland production

• trade, advanced industrial infrastructure will fill the BOP gap

• water resource management and agricultural innovations will fill the thirst level of improvement

• tourism will connect the people from all other corners of the world

• peace and stability will automatically come after the economic prosperity

The above-mentioned opportunities, without a doubt, carry the ability to completely transform the fate of our country. It shows that it has a huge area of opportunities within it. Regional connectivity, trade enhancement, industrialization, employment and social uplift of the masses at large would be the outcomes of this massive project that carries the ability to cause a snowballing impact on the overall economy in the very imminent future.

# CPEC MASS TRANSIT PROJECTS: POLICY GUIDELINES FOR SUSTAINABILITY OF KARACHI CIRCULAR RAILWAY (KCR)

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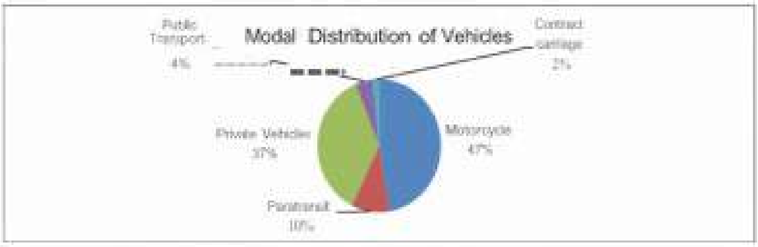
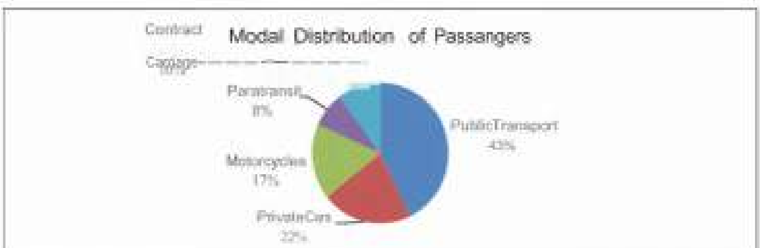
**Numra Asif**
**Research Assistant, Urban Development, CoE-CPEC**

## BACKGROUND

Transport-related problems in Karachi have significantly increased in the recent decades. Traffic congestion contributes to increased air and noise pollution, health problems, high accident rates, and environmental degradation. It has also meant declining living standards, as to avoid long commutes, people's livelihood choices have become more limited and this has determined where they live. Long commuting times, congestion, overloaded and poorly maintained vehicles are the common problems for the residents of Karachi. The share of public transport in vehicular mode distribution is 4%, however, they carry 43% of the total passengers in Karachi. Private cars are 37% of the total vehicular traffic, and carry 22% of the passengers. (Hasaan and Raza, 2015),




Source: Hasan A, Raza M; (2015); Responding to the Transport Crisis in Karachi; IIED-UK Working Paper

Around the world urban transport is a priority and mass transit projects are launched with an aim of facilitation of commuters. Karachi Circular Railway is the most cited transport project for Karachi. Historically, KCR was operational as an inter-regional public transit system in Karachi in 1960's and 1970's. However, it was later abandoned due to the poor infrastructure and inability to provide mobility to the residents of Karachi. The proposed revival of KCR will make it operational from Karachi City Station on I.I. Chundrigar Road and the network will be extended to Gadap in the north, Dhabeji in the east, Kiamari in south, and Hub in the west of Karachi. Karachi, despite being a major metropolitan city of Pakistan, faces severe mobility issues, as no public transit is available.

Commuters have to rely on local modes of transport. This results in longer and expensive commutes, resulting in lower public utility.

Under the CPEC, the revival of KCR as a mass transit project is a primary focus of the federal and provincial government of Sindh. The 6th Joint Corporation Committee (JCC) meeting has agreed in principle for inclusion of Karachi Circular Railway as a rail based mass transit system in CPEC portfolio. The Joint Working Group (JWG) on Transport Infrastructure has been asked to complete the necessary formalities in this regard. Currently the project has been recommended by the Central Development Working Party (CDWP) for consideration of ECNEC, subject to the rationalization of scope and cost of the project. The preparation of feasibility of the project is the responsibility of NESPAK, after which it would be awarded to the selected company for start of work.

The project has an estimated cost of $ 1.9 billion. The financing of the project was previously with Japan International Cooperation Agency (JICA) who had proposed 10 years for its completion; however as one of the CPEC projects, KCR is targeted to be completed in 3 years, i.e. by 2020. KCR would be a 43.2 kilometers standard gauge double railway track (14.94 km at surface and 28.18 km elevated) and would be constructed with allied structures on the existing land reserved for KCR.

KCR is expected to improve the mobility situation of the largest metropolitan city of Pakistan and would provide ridership to 550,000 commuters by 2020. The projected demand would increase to 749,541 by the year 2030 passengers per day and 915,876 by 2050. The completion of other BRT corridors will contribute as following.

| Sr. No. | Line | Financing | Length (km) | Cost (Billion Rs.) | Ridership Daily |
|---|---|---|---|---|---|
| 1. | Yellow | Public Private partnership | 26 | 12-14 | 150,000 |
| 2. | Orange | Bidding in process | 4.7 | 2.364 | 50,000 |
| 3. | Green | Govt of Pak funding | 21 | 27 | 400,000 |
| 4. | Red | Govt of Sindh | 21.5 | 12-15 | 350,000 |
| 5. | Blue | Private Developer | 41.7 | 187 | 450,000 |

*Source: Hasan A, Raza M. (2015). Responding to the Transport Crisis in Karachi. IIED-UK Working Paper*

## THE WAY FORWARD / POLICY GUIDELINES FOR SUSTAINABILITY OF KCR

The sustainability of mass transit projects such as Karachi Circular Railway (KCR) needs strategic thinking, careful planning, and sound policy guidelines. Some of the policy guidelines for the sustainability of KCR are as follows.

- The biggest issue that the successful implementation of KCR faces is of land encroachments. Almost 70-80% of land under KCR boundary is encroached by illegal settlements. The resettlement of these urban dwellers, fixation of land compensation rates, prevention of slum settlements and development of smart integrated city around KCR track are important research areas to be addressed so that the project could be completed as per the timelines.

- The current KCR tracks are standardized under Pakistan Railways; however they have become obsolete and are at a mismatch with Chinese standards of engineering and transport. The standardization of scale is also an important avenue for exploration.

- Land-use pattern along the KCR needs to be examined with possible policy recommendations in order to build the ridership for this CPEC-supported mega project in Karachi. Building ridership in mass-transit projects can be difficult when trip distances are short and parking is inexpensive like the case of Karachi. In addition, land use patterns are not transit-supportive in the case of Karachi. Hence, policy research is needed in this important area to make the KCR sustainable.

- Triple bottom approach with reference to the KCR also needs to be considered. Instead of the conventional focus on economic bottom lines, Sindh Mass Transit Authority and other related stakeholders in Karachi should be encouraged to consider a 'triple bottom line' which gives equal weight to economic, social and environmental outcomes. The provision of mass-transit facilities, as a local level/municipal responsibility having numerous positive impacts on social and environmental systems in addition to economic benefits, is particularly important for triple bottom line analysis. General masses and stakeholders in Karachi should view this CPEC-supported KCR project as a significant benefit to individuals, families, neighborhoods, businesses and the ecosystem surrounding the Karachi city. By doing so, the positive narrative of CPEC would be highlighted in the community/relevant stakeholders in Karachi.

- Policy-research on TDM (travel demand management) with reference to KCR should be initiated. Traffic management authorities in Karachi may use some appropriate measures, backed by the research/policy recommendations, that should manage the demand for transportation, rather than simply focusing on the supply, in order to make the KCR sustainable. Transportation demand management (TDM) is the application of strategies and policies to reduce travel demand of single-occupancy private vehicles. TDM measures influence whether, why, when, where and how people travel in a certain urban area. TDM initiatives can include educational and promotional tools, incentives and disincentives. They include measures like information campaigns, special events, discounted transit fares, feeder routes planning (non-infrastructure related options), active and safe routes to school for children, workplace-based commuting options programs, and household-based individualized marketing. TDM measures often involve partnerships between city-municipalities and employers, schools and community organizations. They are typically less costly, but can improve the cost-effectiveness of KCR by increasing its level of use.

- Non-fare revenue generation – research needs to be initiated for developing a non-fare revenue (NFR) policy for KCR which will enable the Sindh Mass Authority/concerned department to implement the non-fare revenue generating ideas and proposals, and would make the KCR sustainable. Sindh Mass Transit Authority lacks the specialized expertise and resources needed to design some comprehensive NFR policy/marketing strategies. Hence, policy research in this important area needs to be initiated on urgent basis.

- Training need assessment and conduction of trainings on issues like standardization of scales, mass transit safety, revenue generation sources are also highly required.

- Startup of engineering and transport related degree programs that are specifically required under CPEC should be mapped out by the HEC and relevant academic bodies. These programs should then be launched at the top ranking universities in Karachi/ Sindh province. This step is imperative for creating the skill development pool that would be required in future for operation and maintenance of CPEC projects. This will also increase employment and job creation at the national level.

The above mentioned guidelines and potential research areas could also be considered for rest of the three mass transit projects under CPEC;

- **Greater Peshawar Region Mass Transit**
- **Quetta Mass Transit**
- **Orange Line - Lahore**

These research avenues, training needs, and policy guidelines are important to be implemented to make the mass transit projects under CPEC viable and sustainable.

# CPEC: BELT AND ROAD INITIATIVE (BRI)-NEW FRAMEWORK FOR REGIONAL INTEGRATION

**Yasir Arrfat**
Acting Head of Policy, Regional Connectivity, CoE-CPEC

"If the "Belt and Road" are likened to the two wings of a soaring Asia, then connectivity is like arteries and Veins." - Xi Jinping

In the last 500 years, West dominated the regional integration process during the first 400 years, later the US. This is the military and political core of regional integration. Moreover, at the dawn of the 21st century, it is clear that the US-style globalization model is tending to collapse but China is becoming the leader of globalisation. The gyroscope of the global system is turning to China. According to the World Economic Forum's (WEF) projection of the global economic center of gravity, "after a millennium, world economic center returns to east." This trend clearly shows that the world economic powers shifted from China to Europe and then to the US, and will shift back to China.

As West had been practicing geopolitical models of regional integration since mid-1900's and playing with eastern economies but now eastern economies have learned a lot from different western models of regional integration including European Union (EU). More than half of the world's population (3 billion) lives in four eastern countries namely China, India, Pakistan, and Bangladesh. After a long journey, China has developed a unique model of regional integration which is totally based on "win-win" cooperation among all stakeholders' economies. As supply chain of any industry cannot be optimal without the optimality of each stakeholder, similarly regional integration models cannot be made successful without the upgrading of all partnering economies up to the level of optimality.

There are some successful and unsuccessful models of regional integration including Association of South East Asian Nations (ASEAN) and Europe Union (EU). ASEAN was founded in 1967 with ten countries and now it is the seventh largest economy with more than 2.4 trillion USD's GDP. EU was established in 1993 with 28 countries and enjoying 16.46 percent share of global GDP, but facing Brexit nowadays. Harmonization of these regional integration models is based on the balance of power among all stakeholders.

Based on historical lessons from others, in 2013, President XI Jinping inaugurated new model of regional integration, namely "One Belt One Road (OBOR)/Belt and Road Initiative (BRI)". This initiative is the part of China's 13th Five Year Plan for Economic and Social Development (2016-2020) with the infrastructural investment of 1 trillion USD in neighboring Countries. It is the project of 21st century based on the basic rule of "balance of powers" among 65 Countries of Europe, Asia, and Africa. BRI is actually the revitalization of old silk route of trade between west and east. This BRI model holds six major economic corridors namely: China-Pakistan Economic Corridor (CPEC), China-Mangolia-Russia Economic Corridor (CMREC), New Eurasian Land Bridge Economic Corridor (NELBEC), China Central and West Asia Economic Corridor (CCWAEC), China Indo China Peninsula Economic Corridor (CICPEC), Bangladesh China India Myanmar Economic Corridor (BCIMEC). In which China is going to connect the world in multiple following dimensions: road, rail, maritime, energy transmission lines, oil pipelines, seaports, dry ports, communication networks and people to people connect. Each Corridor of BRI has its own significance but CPEC is the flagship project of BRI because of its pivot strategic position among all Corridors.

Under BRI model, China has separated the reserve of 1 trillion USD for the upgrading of regional economies in terms of infrastructure upgrading including road, rail, seaports, dry ports, energy, communication linkages and institutional capacities enhancement through people to people connect.

In the next phase, China will be developing these all regional emerging economies under the exporting industrialization regime in which 100's of Special Economic Zones (SEZ) will be established in Africa, South Asia, Central Asia, Europe and the Middle East. But the focus of these SEZ is majorly towards connecting the SEZ not just building the SEZ.

In May 2017, Belt and Road forum was successfully held in Beijing. In that forum President Xi Jinping spoke about "Work Together to Build the Silk Road Economic Belt and the 21st Century Maritime Silk Road". Xi put emphasis on adhering to the spirit of peace and cooperation, openness and inclusiveness, mutual learning and mutual benefit. He also said, "we should build the Belt and Road into a road of peace, a road of prosperity, a road of opening up, a road of innovation, and a road of connectivity among different civilizations". Moreover, He stressed, "to achieve mutual benefit and firmly adhere to the principle of achieving the shared growth through discussion and collaboration, working together for the shared goal of policy connectivity, infrastructure connectivity, trade connectivity, financial connectivity and people to people connectivity." "We are committed to seeking cooperation in opening up, create a win-win situation through cooperation." And, "we should resolve divergences through political dialogue and settle disputes through negotiation, and jointly safeguard regional security and stability."

China is set to host the second the Belt and Road Forum for International Cooperation in 2019, which is announced by President Xi in the closing remarks for the leader's Roundtable of the Belt and Road Forum for International Cooperation. Through the platform of BRI, all countries involved have accomplished a fruitful list of key deliverables of the BRI, which includes in five key areas, among which a long list of cooperation projects was included.

Furthermore, Chinese government has signed economic and trade cooperation agreement with 30 national governments such as Pakistan, Serbia, Vietnam, Nepal, Cambodia, Tajikistan, Laos, Syria, Philippines, Montenegro, Indonesia, Herzegovina, Uzbekistan, Bosnia, Belarus, Albania, Mongolia, Lebanon, Kenya, Palestine, Ethiopia, Iraq, Fiji, Afghanistan, Bangladesh, Armenia, Sri Lanka, Georgia, Myanmar, Azerbaijan and Maldives coupled with some advance initiatives including China-Georgia Free Trade Agreement (CGFTA) and Framework Agreement on Investment Promotion and Economic Cooperation with the government of Sri Lanka.

Seventy-one percent of the globe is covered by oceans and 90 percent of world's trade is delivered by sea. To this day, based on the World Bank (WB)'s data, 80 percent of the world's GDP comes from the areas within 100 KM from coastal areas. And this thing leads economies towards exclusive growth and imbalance of powers. According to the WEF, the annual per capita income of eastern China is 9,000 USD's and annual per capita income of western China is almost half of it with 5,490 USD's. There are certain facts behind this gap. In 1978, China had announced "Open Up policy" and inaugurated five SEZ's coupled with 100's of other industrial zones in eastern coastal China. Then in 1990, China announced it "Go West Policy" and they developed Central China. Moreover, in 2010, China declared its 6th SEZ in western China (Xinjiang Region). And finally, China has started a new model of regional integration (BRI) to address this exclusive growth issue at large.

The six corridors of BRI will enable these deprived countries in 2015 exceeded 1 trillion USD, accounting one-fourth of China's total foreign trade. In the past 10 years, the volume of trade between China and these countries grew at an average annual rate of 19 percent, 4 percentage points higher than the average growth rate of China's overall foreign trade in the same period. According to the 13th Five Year Plan, in the next five years, China will import 10 trillion USD worth of goods, its foreign investment will exceed 500 billion USD, the number of outbound tourists will reach about 500 million, and China's neighboring countries and Belt and Road countries will be the first to benefit. (China Connects the World, What Behind the Belt and Road Initiative, Wang Yiwei, May 2016)

Similarly, on the financial side, The Export-Import Bank of China (CEXIM) signed some major loan agreements of projects such as industrial parks, power transmission and transformation, wind power, dams, satellite, hydraulic press factory with Ministry of Finance of Belarus, Cambodia, Ethiopia, Laos, Kenya, Mongolia and Pakistan. CEXIM also committed the loan agreement on grid up gradation, coal-fired power station, coalmine transformation, tire factories and other projects with relevant enterprises from Egypt, Bangladesh, Uzbekistan, KSA, and Financing Credit Line Strategic Cooperation Framework Agreement with Metropolitan Bank and Trust Company.

China has its foreign exchange reserves of 3.5 trillion USD but for boosting this initiative under mutual cooperation, China has also established two major banks including Asian Infrastructure Investment Bank (AIIB) and New Development Bank (NDB) for further strengthening cooperation with international financial institutions to give full play for attracting the international capital.

These all initiatives under the BRI are based on geo-economics not on geopolitics and this unique phenomenon is the key to gradual inclusive growth as China has gradually developed its nation from eastern coastal part to central part and now the western landlocked region is going to develop soon. Basically, China is adopting the two major directions of connectivity those are physical and nonphysical connectivity which represent deeper market integration for sustainable inclusive growth.

If we see the flagship project of BRI, CPEC has been achieving its all major milestones of the first phase very soon with the pace of Chinese bullet train. CPEC has been declared strategic corridor of BRI due to its prospects and speedy progress. Thirty projects out of 40 projects of CPEC which was agreed between Planning Commission of Pakistan and National Development and Reforms Commission of China in 6 Joint Coordination Committee (JCC) meetings under the estimated cost of 59 billion USD. And according to the financial analysis, this portfolio will be crossing 100 billion USD's till the proper completion of all projects.

If there is a word, to sum up, the Belt and Road Initiative, it should be "Connectivity." President Xi pointed out that today's connectivity should be a three-way combination of infra, institutions, and people to people exchanges and the progress in five areas of policy communication, infrastructure connectivity, trade link, capital flow, and understanding among people. It is all directional, all dimensional, network-based connectivity; it is an open system empowered by wide consultation and joint contribution. (Xi Jinping, Address at Dialogue on Strengthening Connectivity Partnership, Nov 2014)

In nutshell, China is going to connect the 63 countries of Asia, Africa, CAREC and Europe under BRI for inclusive sustainable long-lasting economic growth and human development. BRI is the new regional framework of China's all-around reform and opening up and strategic order of its neighborhood diplomacy. According to President Xi, Chinese neighborhood diplomacy based on four-word motto and these words are "Amity, Sincerity, Mutual Benefits, and Inclusiveness".

# CPEC IS A GAME CHANGER AND NOT A GAME OVER

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In the contemporary world, the economy is treated as a strength of the State. The time has gone when the superpowers had large arsenals and extensive colonies to support their economies. The twenty-first century is an era of economic independence and self-reliance. Currently, those nations which are economically independent, sovereign and self-reliant are dominant in the global geopolitical and economic scenario. The story behind the success of the Western powers, China, Japan, South Korea, Malaysia, Singapore and other fast progressing economies is their economic integration and industrialization. However, Pakistan as a country has different geopolitical and geo-economic position. Though Pakistan is a resource-rich and labour abundant economy, relatively poor infrastructure, acute energy shortfall, low Foreign Direct Investment (FDI) and narrow manufacturing base have created barriers for global integration and industrialization in the economy.

These bottlenecks have restrained productivity over the years. In such circumstances, the investment of $59 billion under the project of China Pakistan Economic Corridor (CPEC) is a blessing in disguise that is supposed to revive the economy of Pakistan. When market forces fail to bring convergence in the economy, government intervention to overcome the situation becomes necessary. For Pakistan, this vital role of saviour is being played by CPEC, which aims to fulfill the investment-saving gap, improve the industrial base and shape the manufacturing sector.

CPEC is not just a road network spread over the country rather it is an umbrella of various plans and strategies entailing solution for major problems of Pakistan economy. The key features of the program are institutional collaboration in both countries, to overcome energy crises, develop transport infrastructure, and promote industrial cooperation. Prior to CPEC the Thar Coal mines and Gwadar as a seaport were never tapped. It is only through CPEC, Gwadar will gain the potential of becoming a world-class deep-sea port at the Arabian Sea, which will be supporting a significant amount of global trade. Without the inflow of the Chinese FDI, the development of Gwadar would have remained a distant dream.

Similarly, concerns associated with energy and infrastructure are capitalised and around 17000 MW of new energy by 2018 will be added to the national grid. More than 3000 Km of upgrading and construction of roads and motorways are carried-out to strengthen the regional connectivity. Upgradation and modernization of railways are focused to improve the passenger and cargo transportation within Pakistan and 820 km optical-fiber project is about to be completed by the end of 2017, which will connect Khunjrab with Islamabad. The capacity of this newly installed connection is more than the existing in-use capacity of Pakistan.

Industrial cooperation between China and Pakistan are now the priority of agenda. This would form the basis of good utilization of energy, infrastructure, and Gwadar port. In this regard, nine Special Economic Zones (SEZs) are agreed between China and Pakistan aiming at the development of the industrial sector while attracting the local, Chinese and foreign investors. Thus the overall aim is to boost-up exports, substitute imports, capitalise technological transformation and to promote the Pakistani products in the international market.

Some of the economists are of the opinion that it is a mystery to gain from CPEC framework and claim it as game over for Pakistan instead of a game changer. They argue that (1) 91 percent of the income from Gwadar port would go to Chinese authorities and only nine percent will add to the government of Pakistan. Yes, it's true, but if we overview the agreement of the China Overseas Port Holding Company Ltd (COPHC) for Gwadar. One comes to know that it is the extension of the same agreement which was done with the Port of Singapore Authority (PSA) in 2007, based on Build-Operate-Transfer (BOT) model for a period of 40 years. As per the BOT model the COPHC would be responsible for not just the operations of Gwadar port but with this 91 percent revenue the COPHC will develop and expand the port capacity of cargo handling to 80 million tons annually, and will build 120 berths on seafront of 21,000 meters and develop a 2300-acre Free Zone for industrialization in Gwadar. Hence, with enhancement in Port capacity, the government revenue will increase without spending a single penny, which is indeed a mega development project for Pak-economy without making any expenditures.

(2) The Chinese enterprises will get preferential treatment and tax exemptions which will lead to an uneven competitive environment for domestic industries. As we stated before that for Gwadar the same agreement of PSA as drawn-out to the Chinese authorities, so what's being offered to the PSA were extended to the Chinese COPHC. It should also be remembered that out of $59 billion of CPEC portfolio 70 percent worth $34billion is allocated to energy sector because the government prioritizes the energy project due the acute power shortages. All the energy projects will be carried out under the supervision of National Electric Power Regulatory Authority (NEPRA) and Central Power Purchasing Authority (CPPA) in the framework of the 1996 Independent Power Producer (IPP) Policy, in FDI mode. It means that they all are private businesses like others IPPs plants which are already operational in Pakistan before the inception of CPEC and everyone, across the globe can invest under the well define IPP policy in the power sector of Pakistan. For industrial cooperation, we have nine Special Economic Zones (SEZs) in CPEC portfolio under the Revised SEZs Act-2016, which offers an incentive package for all the national and international investors to attract FDI and technological transformation in Pakistan. Hence, there is no such preferential treatment for the Chinese enterprises whereas all the agreement is made on market bases.

(3) People believe all the money for the road network comes from China, this is not true. Like all other development expenditure the government will be financing around 80 percent from PSDP for the roads project because the roads are building in Pakistan and for the socio-economic development of the people of Pakistan, this construction is necessary. Although the Chinese will use it they will also be paying the toll tax and other commercial activities will also occur on these road networks by Chinese and foreign companies. So, there is nothing wrong with this expenditure.

Apart from that, a number of businesses are extracting benefits from the CPEC. Note-able among these is the cement industry. Despite the tensions on Afghanistan border which has reduced exports to Afghanistan, cement dispatches have increased because of ongoing infrastructure projects, hence protecting the industry. These projects are also creating enormous jobs in the economy which will be further magnified by the development of SEZs. Production of vehicles including heavy-duty trucks and engines have received record growth in recent years which is also because of the rising demand from the CPEC. The insurance industry has also gained positively from the CPEC projects. Some major companies have made 10-15 percent of their total business from CPEC related projects last year, and they are expecting the pie to grow.

CPEC is a project of inclusive growth in the long-run, which will also strengthen other sectors of the economy, such as agriculture and water resource management, urbanization, education and human resource development, health, tourism and services, foreign trade, logistics, transport and management of ports. Therefore, CPEC cannot be labelled as a game over rather it is truly a game changer and a hope which will translate into reality for the people of Pakistan.

# CPEC - THE CORRIDOR OF HOPE FOR BALOCHISTAN.

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China Pakistan Economic Corridor (CPEC) is an energy drawn infrastructure development project of Pak-China, worth around US$ 59 Billion, to draw Roads/Railways and provide connectivity between the Western Chinese city of Kashgar (Xinjiang) to the Southern coast-city of Pakistan, Gwadar (Baluchistan), into the Arabian Sea. CPEC includes projects related to regional connectivity through infrastructure development, power generation, and industrial cooperation. This has not only offered great opportunities for the economic prosperity of China, it is also considered a game and a fate changer for Pakistan. It has the potential to give a tremendous boost to the socio-economic development and strategic significance to Pakistan. CPEC is a flagship project of the "Belt and Road Initiative" (BRI) of China, which will link the Pak-economy to markets in Asia, Europe and beyond, through the development of infrastructure, fulfillment of energy demand and rebuilding of manufacturing sectors by the advancement of special economic zones.

Baluchistan is the largest province of Pakistan with a great strategic and geopolitical significance. However, the province faces a number of issues and challenges. The problems that Baluchistan faces at present are diverse, including insurgency and underdevelopment that have negatively affected to be backward in its economic and social growth. The province faces high poverty and the underdevelopment of health and education sectors, high migration and lack of employment opportunities in the province.

Despite these problems, Baluchistan holds an utmost importance for CPEC. The location of the province allows it to explore various potential trading routes to the rest of the world, encompassing the Middle East, Iran, Afghanistan, China, India and the Central Asian Republics. Baluchistan's strategic location is inimitable as it is a gateway to South Asia, Middle East, and the Central Asian States. Baluchistan can benefit from its strategic location by providing a market to the landlocked Central Asian states that lack the route for exporting their resources for international trade.

CPEC as a flagship project of BRI has a number of projects that are to be unfolded for Baluchistan. Some of the projects are mentioned as follows.

### Energy Projects under CPEC For Baluchistan

Pakistan currently faces a deeply problematic energy crisis. For a country to be economically viable, its energy sector must be strengthened. The crisis is due to the lack of equilibrium between supply and demand for energy. Baluchistan's abundant natural resources and geographical location make it essential to ensure Pakistan's energy security. In the present scenario, when Pakistan is running out of reasonably priced and usable energy, more proficient use of energy is absolutely essential. The CPEC project aims to enhance regional cooperation to meet the energy demands of the present era. Under CPEC, 300 megawatts (MW) coal-based power projects at Gawadar and 1,320MW Coal-fired Power Plant at Hub, have been planned.

CPEC energy projects will assist in fulfilling the energy requirements for the ship breaking industry in Baluchistan. Despite having the largest ship breaking yard at Gadani ( a coastal village in southern Baluchistan) and the third largest ship-breaking operations in the world (Qasim, Nauman. Reuters. February 27, 2012), the infrastructure is in poor condition. Water supply is scarce in this area and the requirements are fulfilled by bringing in tanks from the nearby town of Hub. The electricity shortage in the area also leads to heavy dependence on generators. Furthermore, the problem of load shedding (electrical power outages) reduces the productivity of yards, leading to various delays. These power outages are a serious security threat for workers who have to work in the dark inside a hull. Enhanced supply and generation of electricity is the only probable way to better these problems. The project aims to provide energy supply, which will not only increase the yard productivity but will also ensure the safety of the workers. Thus Gadani has failed to deliver up to its full potential.

The underdeveloped mining sector of Baluchistan faces a similar problem. Despite the abundance of natural resources, the major bottleneck for the growth of mining sector has increased the cost of electricity, lack of industrial zones in Quetta and the shortage of skilled labour (World Bank Economic Report. May 2008.). This causes the manufactured material quality to be compromised and it becomes incompatible for export.

The advantages of the energy projects that are part of CPEC would be manifold. They will not only increase the productivity of ship breaking, shrimp farming, and mining sector but will also contribute to providing greater employment opportunities.

The mining sector will be transformed and the products will attain the standard compatible for export. Moreover, the social benefits will be observed when the locals will domestically utilize the energy through cooking, heating and water provision. Their satisfaction with the adequate provision of electricity to their homes will not only help towards addressing some of their frustration at the lack of facilities available to them but will also assist in increasing their positive sentiments towards the government. While addressing the energy needs of Baluchistan, equally significant is the need to transform the underdeveloped road and railway network.

## Connectivity (Road/Railways) Projects under CPEC in Baluchistan

For a greater economic impact, improved road and railway connectivity are the ultimate necessity for Baluchistan. This is because the economic return to investments in physical transport infrastructure is dependent upon the corresponding progress with transit and trade persistence. The existing railway network in Baluchistan is in a critical condition. Due to the problem of infrastructure, there has been a lack of bilateral trade between Pakistan and its neighbouring countries. Unfortunately, the railway network in Pakistan has not been able to renew itself. The system at present is substandard and not able to sustain the volume of the new load and it does not provide links to the remote areas of Pakistan. CPEC portfolio offers a carefully coordinated and sequenced network of roads and railways which given table 01

Table-01

| Roads | | |
|---|---|---|
| S.NO | Name of Project | Length KM |
| 1 | Khuzdar-Basima Road N-30 | 110 |
| 2 | Up-gradation of DI Khan –Zhob N-50 Phase-I | 210 |
| Railways | | |
| 3 | Gwadar-Basima-Jacobabad (New Track) | 1050 |
| 4 | Gwadar-Karachi (New Track) | 700 |
| 5 | Jacobabad-Havelian (Existing Track to be upgraded) | 959 |
| 6 | Haverlian- Khunjerab (New Track) | 682 |
| 7 | Rail-based – Quetta Mass Transit Project | |

**Sources: Pakistan Railway and NHA.**

This network will increase the effective movement of containers and cargo to and from the various cities that connect Baluchistan with the other provinces. Baluchistan is endowed with a unique environment that is beneficial for the production of a great variety of quality fruits such as pomegranate, cherries, peaches, apples, etc. Improved connectivity under CPEC will reduce the problems of farmers such as post-harvest and transportation losses. Due to enhanced connectivity, the farmers will be able to market their products and earn profits. Improved rail connectivity will offer greater connectivity to various regions of Pakistan, including the remote areas with no rail links (Turbat, Hoshab, Besima, Khuzdar, Havelian, Besham, Gilgit) and provide them with a link to enhance their trade with the rest of the country. The provision of inter-country connectivity will turn into global connectivity through Xinjiang province, and will thus boost trading opportunities.

## Other Projects under CPEC For Baluchistan

Besides energy, infrastructure, and industrialization projects for Baluchistan, CPEC promises the province a number of other projects especially for Gawadar, which are as follows.

1. **Gawadar East-Bay Expressway:**

The expressway is being constructed with aim of linking Gawadar Port with the main artery of the national highway network and thus ensure smooth logistics and transportation of import, export and transit goods.

2. **New Gawadar International Airport (NGIA) Project:**

The Construction of New Gawadar International Airport (NGIA), along with allied facilities for new airport that will be capable of handling a combination of ATR 72, Airbus, (A-300), Boeing (B-737) and Boeing (B-747) for domestic as well international routes.

3. **Construction of Breakwaters, Gawadar Port:** The construction of breakwaters is the responsibility of the Gwadar Port Authority. Currently, a 1200-1500 km long breakwater has to be constructed.

4. **Dredging of Berthing Areas & Channels, Gawadar Port:**

To facilitate construction of additional terminals at Gawadar Port by its Operator and for smooth shipments to and from the existing berthing facilities this project is proposed for carrying out capital and maintenance dredging.

5 **Infrastructure Development for Free Zone & EPZs, Gawadar:**

At present, following areas have been allocated as free zone and export processing zones in the industrial locations of Gawadar. Pieces of lands have already been remarked/acquired for the purpose:

- **Gwadar port free zone: 2,280 acres**
- **GIEDA industrial zone: 3,000 acres**
- **EPZA export processing zone: 1,000 acres**

nfrastructure and utility services are required to be developed for these industrial zones.

6. **Necessary Facilities of Fresh Water Treatment, Water Supply, and Distribution:**

This project is aimed at improving water supply, distribution system, desalination plant, sewerage collection system and treatment plant as planned in the Master Plan of Gawadar as a mega port city in the medium term (2030) and long-term (2050) scenarios.

7. **Hospital at Gawadar: The Up-gradation of existing 50 bedded hospital and renaming of Hospital as China-Pakistan Friendship Hospital is also a CPEC project.**

8. **Pak-China Technical & Vocational Institute at Gawadar:**

People of Gawadar are the fundamental stakeholder of the Port City of Gawadar. Their participation in operation & management of the deep-sea port, participation in industrial and commercial businesses, and in urbanization processes is key to the all long-term developmental initiatives. This project is proposed to shape and enhance skills of the active population of Gawadar to participate in the growth of the Port City.

9. **Up-gradation of fishing Industry:**

The development of fishing, boat making, and maintenance services to protect and promote livelihoods of local population

10. **Naukundi-Mashkhel-Panjgur Road Project:**

It will be connecting with M-8 & N-85

11. **Quetta Water Supply Scheme:** The project aims at improvement of water availability.

CPEC projects aim to improve employment scenario, improve satisfaction level and generate jobs for workers of Baluchistan. With an increased and better job market, the living standards and quality of life tend to improve. Successful completion of CPEC projects will impact a number of sectors including community, social and personal services sector, construction sector, wholesale sector, transport sector, finance sector and mining sector. CPEC projects will improve the mobility scenario of the province and will contribte to a positive wave of urbanization, as cities and nodal regions on the CPEC routes will develop as agglomerates. The developed cities are essential drivers of development as they offer a strong cluster of economies through strong forwards and backward linkages to input and output markets, access to finance, skilled labour force, and close relationship with policymakers and public administration. The improvements in the cross provincial and cross-border infrastructure would assist private trade as a tool for growth. The strategic location of Baluchistan would make it a trading centre linking Pakistan's industrial hub of the energy-rich areas of Central Asia and the Middle East. The development of infrastructure in Baluchistan under the CPEC would provide these states an alternative and feasible route for their markets. In a nutshell, CPEC portfolio offers a number of incentives, benefits, and projects to Baluchistan. It is now up to the local people and government to reap full benefits of the project, and attain sustainable development.

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# TRADE AND INDUSTRY COOPERATION UNDER CPEC "STRIVING FOR INCLUSIVE ECONOMIC GROWTH"

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Special Economic Zones (SEZs) under CPEC; A tool for Sustained Inclusive Growth

Special Economic Zones have been playing a key role to support the economy since 1959 when Ireland established her first successful free trade zone at Shannon airport. Since then SEZs have gotten great admiration and have risen from 79 in 1975(Aggarwal, 2010) to 4300 in more than 130 countries by 2015 (The Economist, 2015).

SEZs are the strategic economic policy instrument for a rapid industrialization and fast track sustainable economic growth. It is defined as a separate demarcated territory with its own fiscal regime backed by quality infrastructure, regional connectivity, uninterrupted power supply and other facilitation services.

SEZs has caught the attention mainly in less develop countries and are referred as a complex of related economic activities and services (Wong, 1987) to achieve one of the following four policy objectives; i) to attract FDI, ii) to support the economic reforms, iii) to reduce the unemployment rate and iv) to use SEZs as laboratory to test the new strategies.

During the 1970s and 1980s, many SEZs were established in Asia particularly in East Asia (Raheem, 2011) and have played a key role in catalyzing the economic growth. China, Malaysia, Singapore, the Republic of Korea, Bangladesh, Sri-Lanka, Vietnam, India, and Jordan shared some outstanding success stories from Asia. China has experienced tremendous success in getting foreign direct investment after opening up its economy. SEZs have played a substantial role not only to attract FDI but also support manufacturing industries in China. China employed 30 million of the workforce out of 66 million employed in SEZs around the globe (The Economist,2015), attracted 46% of FDI and added 22% in GDP growth. After the successful implementation of SEZs in China other Asian countries deployed SEZs to accomplish the economic goals. United Arab Emirates (UAE) established SEZs as a tool for economic diversification (World Bank, 2011), Vietnam used SEZs as a tool to attract FDI hence played a key role to transform its economy. Whereas Malaysia, Philippine and Indonesia used SEZs as a Growth strategy. India positioned SEZs as the core element of developmental strategy. Sri-Lanka (Katunayake) and Bangladesh (Chittagong SEZ) are also among the other success stories from the region. Though success rate of SEZs varied but the objective is to promote export, attract investment (foreign and local), promote commercial ventures, generate employment, easing foreign exchange, knowledge and technology transfer.

In line with changing the economic structure, Pakistan has also announced the SEZ Act in 2012, amended in 2016 to develop and promote SEZs.

### SEZs in Pakistan

During the 1970s, Pakistan has established industrial estates to revive the sick industries but faced the failure. Poor governance structure, political influences, and rent-seeking behavior of the industries were found to be main causes of failure. But Pakistan has well-performing industrial clusters. It includes the Sialkot Surgical goods cluster, Readymade garments manufacturing cluster in Faisalabad, Ceramic and pottery industrial cluster in Gujarat, Khyber Pakhtunkhwa (KP) marble cluster and tannery/leather industrial cluster (Khan & Anwar, 2016). Currently, the two renowned industrial estates, Hattar Industrial Zone and Bin Qasim Industrial Park performing well to contribute to the economy.

After the official announcement of China Pakistan

Economic Corridor (CPEC), around 37 zones were proposed as "Special Economic Zones" in all provinces of Pakistan. Out of these 9 SEZs are prioritized to be established in each province and federal areas of Pakistan.

SEZ Act 2012 of Pakistan has made differentiation among different types of zones through defining them in the act.

### SEZ Act 2012 (Amended in 2016)

SEZs Act 2012, amended later in 2016 and now named as SEZ (Amendment) Act 2016. The amendments aimed to encourage SEZs' development and to make it more investors and business friendly. The Act focuses on defining the roles and responsibilities of different governing bodies and authorities as well as incentives offered to SEZs developer and enterprises. According to SEZ (Amendment) Act 2016, SEZ is defined as "as a geographically defined and delimited area which has been notified and approved by Board of Approval (BOA)", which is headed by Prime Minister of Pakistan.

### Incentives

According to SEZ Amendment Act 2016, the incentives are being offered to SEZ developers and enterprises. It includes one-time exemption from custom duties and taxes on imports except items listed under Chapter 87 of the Pakistan Customs Tariff. Tax is also exempted on income in relation to development and operation in SEZs for five years to ten years. Special incentives package is also announced to support the thrust sectors including textiles, leather, marbles, food processing etc. and for industrial relocation in SEZs.

### Mechanism for SEZs Development

According to SEZ (Amendment) Act 2016, the SEZ may establish by the private parties exclusively or may establish by Federal and Provincial Governments themselves or in partnership with private parties through Public-Private Partnership (PPP). The government of Pakistan encourages SEZs development in PPP mode to satisfy the interests of stakeholders regarding security, transparency, delays and more. According to SEZs (Amendment) Act 2016, BOA would approve the zone application submitted by each provincial SEZ authority through Board of Investment (BOI). The BOA is also responsible to measure the economic impact of SEZs. The other relevant and responsible agencies are also identified and mentioned in the Act with complete governing structure and responsibilities. A graphical framework for developing SEZs as per SEZs (Amendment) Act 2016 is presented below;

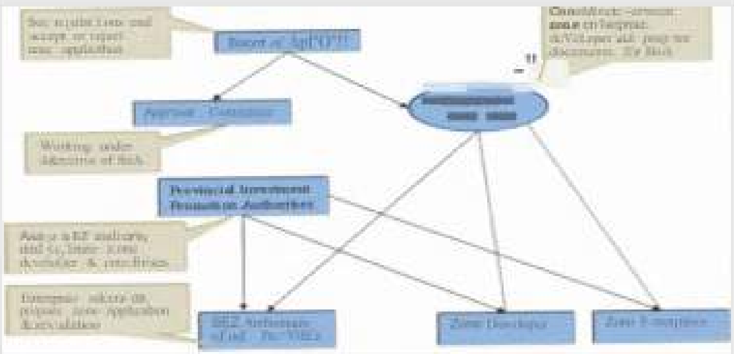



*Fig1: Mechanism for development of SEZs(By Author)*

The approval committee shall work under BoA, head by Chairman of BOI. BOA may delegate some or all powers to the Approval Committee. Provincial Investment Promotion Authorities (PIPA) will be formed for each province which will assist each provincial SEZ authority and facilitate zone developer and enterprises. SEZ authority will be formed under SEZ Act in each province of Pakistan and will be responsible to accept an application from the zone developers and select industries and forward the zone application to BOI and also responsible for the provision of infrastructure and utilities (Gas, electricity, water, waste disposal etc.). The rules and regulations designed by SEZ authority are needed approval by BOA. Provincial SEZ authorities under the SEZ (Amendment) Act, 2016 have been formed in all provinces and have started working. The role of BOI under SEZ Act is to coordinate between BOA and SEZ authority and also facilitate the zone developers, SEZ authorities and zone enterprises and also work to promote the SEZs. BOI will also act as SEZ authority for Islamabad Capital territory. BOA and BOI are already in working.

### SEZs under CPEC

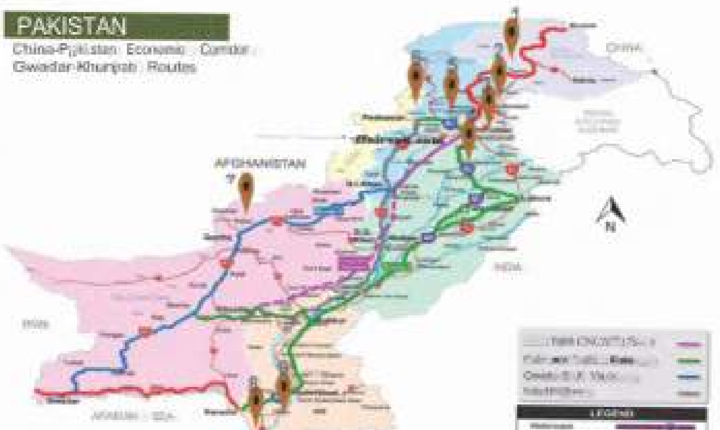
China Pakistan Economic Corridor (CPEC), a vision to improve the lives of people of both countries (China and Pakistan). CPEC is not just the corridor but it's a portfolio of projects including; infrastructure, energy, Gwadar, industrial development, and cooperation. An initial investment of $46 billion was dedicated for CPEC portfolio which has been increased to $62 billion. More than 70% of the investment is made in energy-related projects to overcome the acute energy crisis.

Investment in infrastructure is made with the aim to enhance regional connectivity. Infrastructure projects include; improvement in existing infrastructure and development of new infrastructure. Three routes have been announced under CPEC, the western route, eastern route and central route.

The improved infrastructure, which is also a fundamental factor of success would play as a key motivator to establish economic zones. In Joint Corporate Committee (JCC) meeting held in Beijing on December 2016, 9 out of 37 proposed SEZs are prioritized to set up in next three years (DAWN, 2016), which is proposed along the CPEC routes. The 9 proposed priority zones are listed below;

1. **Moqpondass SEZ, Gilgit-Baltistan**
2. **Mirpur Industrial Zone, Azad Jammu Kashmir**
3. **ICT Model Industrial Zone, Islamabad**
4. **Punjab-China Economic Zone, M-2 District Sheikhupura, Punjab**
5. **Rashakai Economic Zone on M-1, Khyber-Pakhtunkhwa**
6. **Mohmand Marble City, FATA**
7. **Bostan Industrial Zone, Baluchistan**
8. **Special Economic Zone Dhabeji, Sindh**
9. **Port Qasim Special Economic Zone, Sindh**

The objectives of proposed priority SEZs are to attract FDI, support industrialization and to enhance the economic growth as a whole. The strategic location of each of aforementioned SEZs is given in the map along the CPEC routes.




The site selection is very critical for the success of SEZs. Location, proximity to utility services, accessibility to raw material, proximity to labor supply and proximity of the SEZ from trading hubs matters very much for the success of SEZs (Shah,2008). Poor location and under develop infrastructure and limited connectivity with trading hubs are the major issues that cause failure of SEZs. Location close to improved infrastructure is directly related to export competitiveness and FDI inflow. Zones close to urban cities will ensure the availability of labor input supported by the improved infrastructure to ensure labor mobility and also encourage the zone enterprises to develop linkage (backward) with local industries.

Zones distance from international market is also a yardstick of their success. Inter-regional connectivity ensures to pursue the goal to promote export. Hence positioning the SEZs near airports, seaports, countries' borders, guarantee the success. Shenzen a SEZ in China is one of the Asian success stories, situated at proximity to its neighbor Hong Kong connected through the sea and surrounded by improved infrastructure has turned it to industrial state from merely from a fishing village and get populated from 30,000 to 10,000,000 despite the lack of natural resources (Shah,2008). Hence the location advantage of SEZs backed by strong infrastructure will positively affect the trade (Enright, Scott, and Chung 2005) and it also helps to overcome the geographical hindrance and support the regional growth.

### Recommendations:

In the wake of CPEC, a road to prosperity we have to work hard. SEZs under CPEC will provide an avenue for industrialization and to establish industrial clusters to support the local industry. Improved infrastructure, human capital, and natural resources are identified as fundamental factors to start economic activities. Based on the literature review and Pakistan's economic position following recommendations are made to guide the SEZs development policy.

- China successfully positioned SEZs to establish industrial clusters and backward linkage to support the domestic industries and to ensure technology transfer.

- Private investment (joint ventures/independent) should be encouraged through incentives to develop

SEZs. Private sectors' interests can be best addressed by involving them into the policy-making process.

- Being a developing country, Pakistan should focus on endowment based industries.
- Keeping in view the contribution of service sectors in GDP, a special effort can be made to establish services specific economic zones.
- Relationship with neighboring countries needs to be stabilizing especially for SEZs at border areas. We have so many examples of cross-border jointly developed SEZs to realize the dream of regional integration and inclusive growth. Mohmand Marble City, Maqpoondas, GB and Bostan in Baluchistan have great potential to build on this model.
- Export and value addition should be our focus for sustainable economic growth.
- The commercial launch of SEZs will help to create and build trust in foreign and local investors.

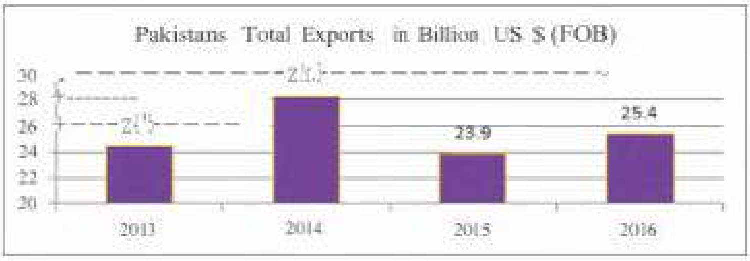
### GSP+ and CPEC

Generalized Scheme of Preferences (GSP) is the set of favors proposed by UN Conference on Trade Development in 1968. It includes the allowance of free or subsidized entry of products from underdeveloped or low-income developing countries, so that they may have a fair share of the international trade. In order to avail these preferential tariff rates, a country must ensure the fulfillment of different international conventions on human rights, environment, and good governance. There are three main arrangements of the GSP Scheme are, GSP, GSP+, and EBA.

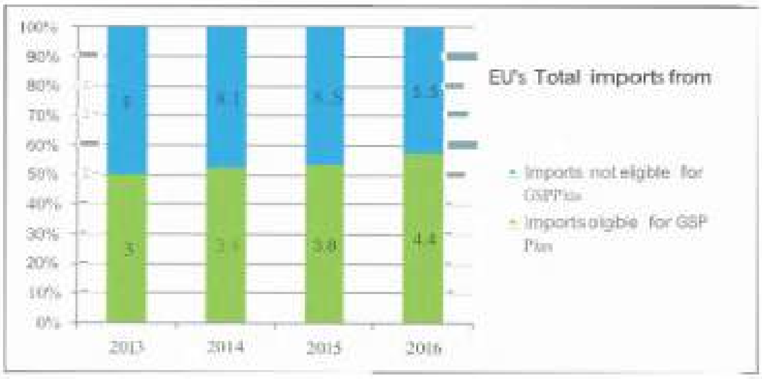
Pakistan has been granted the GSP plus status by the European Union (EU) in 2013. GSP plus status incorporates additional benefits which aim at the successful achievement of the sustainable development and poverty reduction plans.

### Pakistan's Trade Status Pre and Post GSP Plus

Pakistan's average exports 25.5 billion US dollars for last four years.

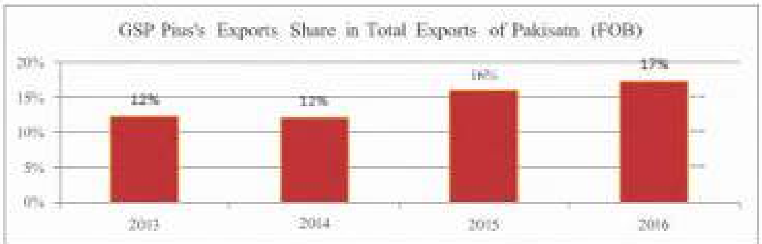



Following table shows the total exports of Pakistan to the EU. We can see that share of exports for GSP Plus is gradually increasing over the years.




*Source: Pakistan Business Council. Pakistani Exports Situation to EU*

Below chart is providing the GSP Plus's Exports Share in Total Exports of Pakistan.




### Pakistan's Exports to EU before and after GPS Plus


*Source: Pakistan Economic Survey*

GSP+ status granted in the year 2013. We can see from the graph that proportion of textile imports from Pakistan is increasing after implementation of GSP+. Rawhides and skin's imports also increased.

### Integrating CPEC with GSP+:

Pakistan could reap more benefits of the GSP+ status amid of CPEC. Pakistan could invite investments in the industries like chemicals, mining, metals, artificial jewelry, electronic machinery, rail locomotives and even boat and ship manufacturing industry, as these are covered under the sectors that would enjoy the benefits of very low or zero tariffs. These sectors could create surpluses in future, which could be exported to the European Union under the preferential treatment of GSP+. By this way, Pakistan could ensure the diversification in exports and hence in future, could tackle the vulnerabilities due to which demand for Pakistani exports could not be sustained over longer periods. By ensuring the quality of products, we could maintain the demand for our exportable goods in future.

According to prominent researchers, Pakistan's GNI will increase 7% per annum from current $1500/capita/annum, so it will be doubled by 2027 and we can say Pakistan can hold its GPS Plus status for next 15 years to cross its limit of GNI $4035/ capita/ annum as directed by World Bank.

Specifically about declining sectors including food; Global pie size of "Halal Food" is $3 Trillion but Pakistan is lacking to achieve growth in Halal Food due to lack of efficient value chain and quality assurance. e.g. Pakistan's Mangoes had been rejected for last half decade by EU countries but they are accepting it from India. Similarly, Malaysia and Indonesia are exponentially growing in the Halal Food sector with efficient value chain and proper quality controls.

In nut Shell, Pakistan has a lot to achieve in export potential under CPEC and GSP Plus umbrella with effective and efficient value chains. Moreover, if Chinese export-oriented manufacturing firms produce on the Pakistan' soil through joint venturing with Pakistani industries may enhance the export and reduce the import burden which in turn improve the Pakistan's trade and current account balance.

## Conclusion and way forward

GSP+ status, an avenue of opportunity granted for a period of 10 years to Pakistan. CPEC will help to boost the industrialization and GSP+ status provide Pakistan with an access to EU market. In order to sustain this status, we need to satisfy all international conventions especially related to environment and human rights. These are most sensitive of all conventions.

Ease of doing business would also play a key role in mainlining this status. We have to work to enhance the innovation, efficiency and labor productivity.

## Joint Ventures under CPEC and Potentials for Industry Development in Pakistan

Joint ventures (JVs) are mutually formed by two or more firms having positive outcomes such as economic benefits and enhanced market potential prospects for the partners (Carnovale and Yeniyurt, 2014). International joint ventures (IJVs) continue to proliferate as a hybrid form of organizational governance so much that it has been suggested that we are stepping into an "age of alliance capitalism" (cited in Yan & Gray, 2001). JVs pool physical, financial, and technical resources and can uplift the business activities and can promote investment in the economy especially in a small and open economy like of Pakistan through possible positive externalities.

The success factors of joint ventures include flexibility in management of the joint venture, trust among the partners of JV, regular information exchange with the partners, constructive conflict management; continuity of assigned personnel responsibilities of individual firms for the interface between the firm and the joint venture, managing partners' expectations, and so on. Miller and colleagues (1996) noted that developed economies enter into joint ventures for the reasons i.e. cost and risk sharing, lack of country familiarity, lack of relevant contacts, existing facilities, and more effective technology use.

The project of CPEC will act as a catalyst for connecting China and South Asia to Central Asia, Eurasia, West Asia and through CPEC Pakistan will be able to develop its relations with South Asian countries and many countries around the globe i.e. Central Asia, Russia, West Asia, and the Middle East. A more in-depth approach towards this expansion is productivity and efficient production possibilities in the relocated industries under CPEC. Joint venturing with Chinese and other foreign firms is an attractive opportunity which can bring all potential benefits for Pakistani economy.

The following table shows the suitable industries to be established in special economic zones (SEZs). Importantly prospective industries can potentially contribute to overall growth of economy if these are flourished through effective joint venturing.

| Name of SEZ | Suitable Industries |
|---|---|
| Mohmand Marble City, FATA | Marble industry, dimensional stone industry |
| Punjab-China Economic Zone/ Quaid-e-Azam Apparel Park (QAAP), M-2 District Sheikhupura | Clothing and Apparel factories, Vertical Integrated Units for garments manufacture (from Ginning to garment manufacturing), Garment vendor Industry (Zips, Button, Label, Packing, textile chemicals) Embroider, Commercial Washing, Dying & Printing, Apparel related Machinery Manufacturing |
| Rashakai Economic Zone (REZ), KP | Fruit/Food/Packaging/Textile Stitching/Knitting |
| China Special Economic Zone Dhabeji, Thatta | Steel industry, chemical industry, cement manufacturing firms and pharmaceutics |
| Bostan Special Economic Zone | Fruit Processing, Agriculture machinery, Pharmaceutical, Motor Bikes Assembly, Chromites, Cooking Oil, Ceramic industries, Ice and Cold storage, Electric Appliance, Halal Food Industry |
| Moqpondass SEZ Gilgit-Baltistan | Marble / Granite, Iron Ore Processing, Fruit Processing, Steel Industry, Mineral Processing Unit, Leather Industry |
| Mirpur Special Economic Zone | Feasibility studies for land acquisition and suitable industries are in process |
| Steel mills at Port Qasim Special Economic Zone | Feasibility studies for land acquisition and suitable industries are in process |
| ICT Model Industrial Zone, Islamabad, Federal Government | Feasibility studies for land acquisition and suitable industries are in process |

*Source: www.boi.gov.pk , www.cpec.gov.pk*

Industries in China contribute 72.8 percent to China's GDP; however, in Pakistan, this share is merely 19.2 percent. China can help Pakistani industry in relocation in a way to increase its share of GDP. In last three decades, China has improved its industrial sector revolutionary and has become a leader in exports. Utilizing China's expertise in industrial sector various Pakistani industries can be re-located which have potential to contribute to GDP at a higher ratio. The industrialization process is expected to be taken off within special economic zones under CPEC is a huge opportunity for Pakistan to strengthen its weak SME structure and to flourish already existing industries through joint ventures especially with Chinese companies. Local SMEs are lagging behind because of underdeveloped infrastructure, lack of finance, capital equipment, expertise and insufficient energy availability. These issues are covered under CPEC projects, however; the other gaps can be filled by joint venturing of local small and medium enterprises with world-class Chinese enterprises.

Light engineering products are namely, low-tech machinery, spare parts of power looms, knitting machines, winder machines, warping machines, sizing machines, inter locking, wheat threshers; choppers, ploughing blades etc are being manufactured locally. Though having limited command in producing such machines Pakistan is still lagging behind in production of high technology capital equipment production. Sophisticated industrial machines are being produced at small scale and have potential to be fully produced here.

Pakistan is the fourth largest producer of cotton and mango, second in production of chickpeas, sixth in apricot and oranges, fifth in date palm and sugarcane, seventh in onion and cane and fourteenth in the production of rice. Industries can be established to manufacture value-added products and these industries will be most suitable due to the local competitive advantage and sector endowment. Food processing firms may include units making various kinds of jam, jelly, pickles, and sauces of the generic products high quality of which we can produce cheaply. Halal meat processing units are also scarce and will cater high demand from Muslim communities of Western China, Asia and the Middle East along the corridor. Joint venturing with high-tech firms will help local firms to prosper and to enter in the world market.

### Conclusion and Policy Implications

Joint ventures are a way to resources accumulation, technological progress, risk diversification and expansion in economies of scale and scope. Therefore, success of joint venture depends on a number of elements i.e. time duration (age) of joint venture, dependence, partners' experience, industrial and dyadic conditions, and characteristics of the venture itself such as autonomy and flexibility (Beamish, 1985; Harrigan, 1986; Levinthal and Fichman, 1988; Kogut, 1989). There is need to consider the issues regarding management capacity of the individual partner firms which is important in order to avoid conflicts regarding control of the venture. More importantly, control the venture depends upon the firm capability. Systematic differences exist among two partners however with increased learning and experience, a joint venture can be successful as compared with single owner firm (Lyles, 1988). Emphasis has been made on the competitive capabilities of the venture and also upon some systematic tactics that JVs use to internalize such capabilities. Role of trust among the partners is not negligible. Trust among the JV partners also sets the choice for further joint venturing decisions. All success factors of the JV need to be considered in order to sustain the JV for a long time as well as to avoid failures.

# CHINA PAKISTAN ECONOMIC CORRIDOR (CPEC) EMPLOYMENT OUTLOOK: A PRELIMINARY STUDY:

**Prof. Dr. Amir Khan**
Policy Head, Socio-Economic Division, CoE CPEC

## Introduction

President of China Mr. Xi Jinping visited central Asia and South East Asia in September and October, 2013 and proposed a plan for jointly developing the Silk Road Economic Belt and the 21st century Maritime Silk Road, known as the 'Belt and Road' or (B&R), which immediately attracted wide attention from all over the world. The B&R Initiative supports current international and regional development trends since it helps countries in similar situations to develop and collaborate in an open economic system and the global free trade system. This initiative has profound strategic significance for opening up a wide range of new opportunities for countries like Pakistan and regions along the B&R routes or 'corridors', and their people (ACCA, 2017).

CPEC is one of the flagship projects of the B&R agreed between China & Pakistan in July 2013 with an initial investment of US$ 46 Billion portfolios agreed for investment in Pakistan. Another important initiative is taken by the Shanghai Stock Exchange (SSE) signing memoranda of understanding (MoU) with 44 exchanges around the world. At the beginning of this year, SSE, the China Financial Futures Exchange (CFFEX) and the Shenzhen Stock Exchange jointly invested in the Pakistan Stock Exchange. This is another key move towards materializing the B&R Initiative and the CPEC construction plan. Due to these FDI initiatives, thousands of new job will be created for the Pakistani youth which will improve the socio-economic conditions of the people ultimately reducing the poverty level and enhance the quality of life and wellbeing not only of the Pakistani but also in the whole region.

## Employment opportunities

Since the inception of CPEC in 2013, it has captured the great attention of private and foreign investors, business and local communities, academia and world at large. CPEC is a diverse portfolio of different projects now reached to US$ 59bn with the addition of new projects. The short term projects under CPEC categorized in to four domains; infrastructure (sea, air, road, rail, fiber optics), energy (wind, hydal, solar, coal) industrial cooperation (Special Economic zones) and Gwadar (Gwadar Port and Gwadar Smart Port City). The projects are supposed to complete at different time frames; up to 2017-18 for "Early Harvest Projects (EHP)", 2019-2025 "short and medium term" and 2025-2030 "long term projects". CPEC sounded loud for the job creation in all phases, from EHP to short, medium and in long term projects.

According to an estimate, about 700,000 direct jobs will be created from 2015 to 2030 which is expected to reduce 2.32mn unemployment in Pakistan by next two years which is 6% as of now. According to Planning Commission, 30,000 Pakistani engineers and workers have already got direct employment through EHP along with 8,000 Chinese workers as well. The detail of CPEC projects under the head of "EHP" is provided in Table 1 with available data about a number of jobs created. The literature estimated the jobs for different projects in those countries having similar growth rate e.g. forecasting for direct, indirect and induced jobs from solar power plant is taken from Arizona and Nevada, from low-income countries for Wind power plant, Power generation and transmission from Nigeria , Panamanian taken as a model to estimate the jobs for port construction . To estimate the jobs from a zone, a study conducted to assess the Denver industrial zone and found that 11.8 employees per acre and it is evident that alongside the direct jobs a significant percentage of indirect and induced jobs are created.

The "EHPs" have created jobs for skilled, semiskilled and unskilled workers such as electrical engineers, power plant designer, machine operator, project manager, administrative and labour intensive jobs etc. However, for job creation, an investment made in different projects play a key role. Due to positive "Employment Multiplayer" effect, more indirect (e.g. corresponding suppliers and distributors) and induced jobs (e.g. services consumed by the direct and indirect workers) open than direct jobs.

The investment made on infrastructure projects have a significant impact on employment, $1bn spending on construction of infrastructure create about 6,000 direct jobs, 7,790 indirect jobs, and 14,000 induced jobs and for every $1 billion invested in Coal-fired power-generation projects creates 750 jobs but more jobs will be created after the reliable power supply.

1. **Current status and future prospective**

Jobs so far created from "EHP" made about 0.05% of the total employed labor force but its positive multi-player effect would be more. A reliable supply of electricity would increase annual job growth by 4 to 5% in low-income countries. Provision of better transport infrastructure will reduce the transportation costs and time spent, thus supporting the economic growth lead to job creation, especially through the trade. Better infrastructure will also facilitate the mobility of workers from rural villages to non-agricultural activities and provide them with a better chance of finding productive employment in nearby cities.

Fiber Optics will help to minimize the communication gap and will open new avenues for businesses. According to World Bank report, 2006 5.6% job growth is attached to the business using new technologies. Gwadar Port is the key dimension of CPEC because China and Pakistan both have the economic interests in it. Ports and trade are positively correlated and have positive impact on job creation in the formal and informal sector.

The GDP for the year 2014-15 was 4.1%. The employment elasticity with respect to GDP for the year 2014-15 is found to be quite elastic which means that one-unit positive change in GDP will have a greater effect on employment. Researchers argued that after successful execution of CPEC the GDP of Pakistan will increase up to 8% which is also the target of vision 2025, will affect positively on job growth.

**Current employment status by sector**

CPEC is expected to impact positively on each sector in Pakistan, however major sector of economy is service sector in terms of GDP contribution, which contributes about 58% for the year 2014-15 as presented in figure.1.

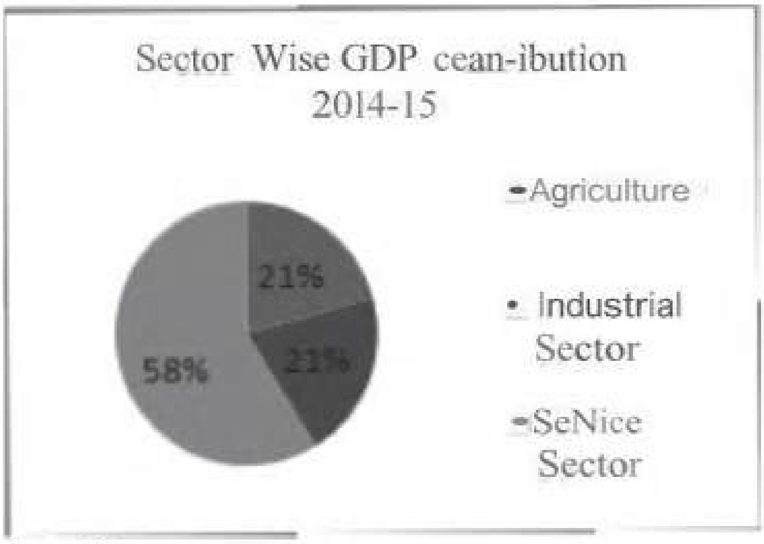



*figure-01*

With respect to GDP contribution, the percentage of jobs created in the different sectors for the year 2014-15 are provided below in the form of fig. 2.

For the given the year 2014-15, agriculture sector employed about 42% of labour force, whereas the service sector employed less than its GDP contribution.

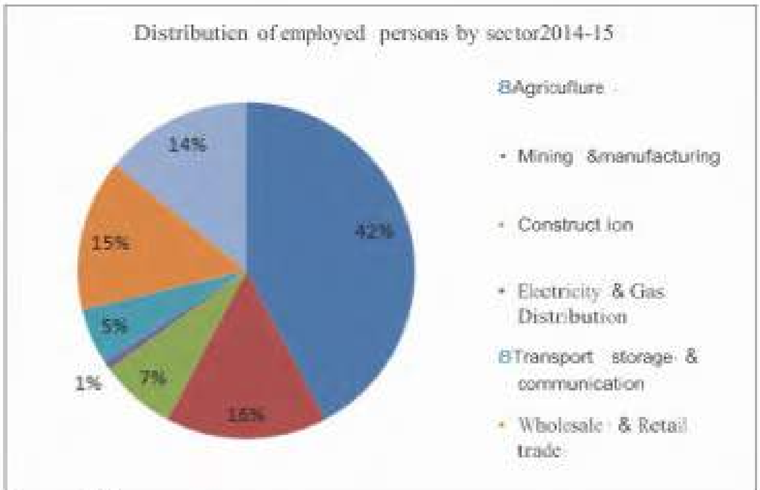



*figure-02*

The unemployed rate starts decreasing from 6.24% in 2012-13 (the year CPEC is initiated) to 5.9% in the year 2014-15. The unemployment rate shows an increasing trend from 5.46% in 2008-09 to 6.24% in 2012-13 and then experiencing a decreasing trend due to the contribution of CPEC as well.

Agriculture is also being targeted by the investors after the inception of CPEC, which will boost the rate of employment. Development of SEZs has also the potential for the creation of thousands of jobs for unskilled, semi-skilled and skilled (white collared) worker. The contribution of a female is expected to increase within the SEZ's particularly cottage industry associated with SEZ's. Almost 2 million direct and indirect jobs will be added to all province (KP, Punjab, Sindh, and Balochistan, FATA, NAs, AJK). A relatively new market for linguists and interpreters (Chinese to English, Urdu and regional languages) has also emerged and learned the Chinese language is trending upwards in Pakistan. Projects under CPEC will also open up a vibrant job market for geologists, geoscientists, geological engineers, environmentalists, business administrators, public administrators, accountants, marine and harbor engineers etc will be required in planning and development of SEZs and Industrial Parks all over the Pakistan. Under CPEC, agreements between educational and technical institutions are being signed between China and Pakistan to develop and employ human capital. However, productivity is the key to get decent jobs especially in the relocation of the industry from China and rest of the World to Pakistan. At the same time, it is imperative to innovate and upgrade our local industry to make them computable with the international standards which are very important for the sustainability of our local industry in the scenario of the CPEC.

**Table 1 CPEC Projects with number of jobs (based on available data)**

| Project Name | Province/Administrative areas | Jobs Created till 2017 |
|---|---|---|
| Infrastructure | | |
| a. Peshawar-Karachi Motorway | KP, Punjab, Sindh | 9,800 |
| b. KKH Phase II Havelian | KP | 2,071 |
| c. Orange Line Metro Lahore | Punjab | 956 |
| d. Fiber Optic project | Gilgit Baltistan, KP, ICT, Punjab | 580 |
| | | 13,000 |
| e. Hakla-Dera Ismail Khan Motorway Project | Punjab | Thousands of employees |
| Energy | Balochistan | |
| a. Port Qasim Coal Power Project | Sindh | 5,000 |
| b. Sahiwal Coal Power Plant | Punjab | 3,000 |
| c. Quaid e Azam Solar Power | Punjab | 3,000 |
| d. Hydal energy project at Sukki Kinari | Sindh | 6,000 |
| e. Karot Hydal Project | Azad Jammu Kashmir | |
| Gwadar | | |
| a. Fiber Optic project | Balochistan, Gwadar under process | 404 (Direct jobs), 2,000 (indirect jobs) |

1 Applied Economic Research Center (AERC),
2 Chinese newspaper "Global Times" (2017)
3 https://tribune.com.pk/story/1429131/cpec-provides-jobs-30000-pakistanis/
4 4300 direct jobs and 750 direct jobs from coal projects
5 500 direct jobs
6 500 direct jobs for electricity transmission
7 9000direct jobs from airport in zone, 6000 direct jobs from infrastructure , 6000 direct jobs from fiber optics projects
8 IFC JOBS STUDY, Report, 2013.
9 IFC Jobs Study (2012): The Role of Reliable Power in Employment Growth.
10 Klonner(2008)
11 (pakobserver.net/cpec-corridor-opportunities)
12 https://tribune.com.pk/story/1429131/cpec-provides-jobs-30000-pakistanis/

# STEMMING THE TIDE: THE HALTING OF BRAIN DRAIN IN PAKISTAN VIS-À-VIS CPEC

**Muhammad Muzammil Zia,** Acting Policy Head, Job Growth and Human Resource Development, CoE-CPEC
**Ismail Pirzada,** Research Intern, CoE-CPEC

Since the independence of Pakistan, the South Asian drive and appreciation of occupational niches and resultant prestige has continued to render a distinguished cadre of educated professionals within a variety of fields, whether it be medicine, engineering, legal affairs, and the bureaucracy. However, as cracks began to appear in the country's methods relating to meritocracy in the workplace and in regards to educational attainment, lessened social mobility seemed to define the exigence of the mass migration of skilled and non-skilled Pakistanis abroad. Whether it be for higher education, increased remuneration, or the mere opportunity of participating in the workforce on a level playing field, more than eight million Pakistanis now find themselves as having a permanent presence in foreign nations in some manner, with an upwards of two-thirds of Pakistanis wishing to do the same as per Gallup polling. Amongst them are a plethora of extremely qualified personnel, many of whom were initially trained domestically within Pakistan itself. The loss of such a cadre has meant that Pakistan continues to lag behind internationally-recognized standards and practices in various disciplines, coupled alongside a stagnation of the education system as the nation's brightest prefer refuge abroad to practice whatever it is they may have learned indigenously.

Human resource development within Pakistan simply cannot take place if the appropriate expertise and willingness is not present to begin with. The introduction of broad infrastructural and economic reforms as triggered by the China-Pakistan Economic Corridor (CPEC) provides Pakistan with a clear-cut opportunity to halt the country's long-standing tradition of brain drain and perhaps even reverse it should the long-term benefits of the corridor begin to bear fruit in 2030. As Pakistan's manufacturing output capability begins to expand under CPEC, diasporic Pakistani engineers, scientists, and technicians may serve as the golden egg by which a complete transfer of technology can take place once Chinese upper-managerial roles begin to filter out as CPEC projects begin to be fully self-sustainable by local citizens. Diasporic Pakistani science and engineering personnel's understanding and experiences of what drives innovation in developed states enables them to function as the crux of indigenous control and operation of Pakistan's industrial units, whether they be through Chinese-built Special Economic Zones or induced manufacturing once the country's crippled state of energy provision is rectified.

Structural deterioration in Pakistan's economy is also linked to the phenomenon of brain drain, as the country maintains a default state of reliance in remittance inflows in the absence of any other noteworthy foreign exchange. Such remittance levels have already begun to sink amidst tighter regulations on foreign residency for Pakistanis earning incomes in the oil-rich states of the Gulf Cooperation Council, whose newly-rendered paths towards fiscal conservatism has meant a steady exodus of Pakistanis who previously sent financial resources back towards Pakistan and in turn spurred consumption in the latter. In addition, diasporic Pakistani professionals should also be the primary target of bridging the gap between educational and training standards abroad and those found within Pakistan. Far from being mere cultural liaisons, such individuals can operate within a Pakistani context with ease while disseminating international, established standards for the conducting of basic human resource development in Pakistan which is required for CPEC-oriented projects to flourish once they are fully staffed and administered by Pakistanis themselves. Such activity also allows for the Pakistani economy to rid itself of a severe, unhealthy inclination towards remittance collection as the individuals who once contributed to foreign exchange inflows would now be enabling the progression of Pakistan into a middle-income state via the contribution of their expertise. This effect will be compounded by the notion that blue-collar staff abroad solely for the sake of labour-oriented work will also return to Pakistan as the induced employment via CPEC funding corrects the very lack of opportunity that triggered their departures initially.

If Pakistan is to successfully transition into the middle-income, industrialized state it seeks under the supervision and supplementation of CPEC projects, it is critical that she adopt international standards relating to white-collar work ethic and industrial operations relating to efficiency, safety, and management. The culture of a lack of productivity bred from a lack of punctuality, a lack of meritocratic hiring, and an indifferent attitude towards the most basic of tasks all need to be shed for the sake of achieving the sort of desired output Asian "tiger" economies such as South Korea have undergone in their progression. Diasporic Pakistani personnel already have prior-gained exposure to modern practices in the art of human resources, project planning and implementation, and the base modus operandi required to serve as a productive employee in an office space, while their foreign credentials allow them to rise to upper-management and begin a wider cultural shift in how the average Pakistani firm, no matter how large or small, functions. This net can be widened to even blue-collar Pakistani labourers who, albeit their harsh conditions in states where their labour rights may be compromised, are given stringent fixed schedules and timeframes to follow.

CPEC projects in themselves also allow for a reassessment of what it means for young Pakistani men and women to study abroad. As of now, many individuals go abroad on their own accord or via the use of scholarships from the Higher Education Commission (HEC) in exchange of signed bonds committing them to working within Pakistan upon returning. If the cultural exchange component of CPEC is to be fully realized, China's surge in academia-related reputation serves as the primary platform by which Pakistanis can refine their skills at foreign Chinese universities with the maintenance and management of CPEC projects serving as their exigence for returning home. Such a program would be similar in nature to how the monarchies of the Arabian Gulf send indigenous human resources abroad in order to cultivate a talented pool of professionals to run their local state-owned petroleum and gas industries. The economic and social depravity that has led to such colossal brain drain out of Pakistan may see itself diminishing with the advent of CPEC funding, however, appropriate policy measures must be taken in order to maximize the potential of Pakistani human resources abroad who currently contribute to states other than Pakistan itself.

# CPEC SCULPTING A COMMON DESTINY

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**Water is the softest thing, yet it can penetrate mountains and earth This shows clearly the principle of softness overcoming hardness - Lao Tzu**

Beyond the known trail of time and space, humans carry an urge to master the mystery of destiny backed by an untamed desire to achieve power, either for better or for worse. If power is then shared amongst states to build a community of commonality, grounded on "inclusiveness", we could speak of a "community of shared destiny". To this end, China's current pursuit of sustained regional and global influence through extended cooperation is an open secret.

In 2007, the phrase, "community of common destiny" was coined by Hu Jintao-the former president of China -to strengthen relations with Taiwan. The same doctrine was then rejuvenated by the incumbent President Xi Jinping in 2013 with the aim of advancing cooperation in international affairs. Implementation of this novel concept has undoubtedly shaken the Western tactic of state relations, ie, "win or lose" or "zero sum game" which have been straining the tied strings of peace among states for far too long.

In ancient times, the "Silk Route" had harmonised diverse cultures, languages, and aspirations of different countries and people. Countries along this route were rich in research and knowledge which flourished, transcended and echoed across the continents. For instance, Ibn Sina's The Canon of Medicine was translated into Latin and then taught in Europe for more than 500 years. Ibn Sina was born in 980 at Afshana near Bukhara along the same Silk Route.

Bilateral ties: CPEC will help strengthen Pakistan, says CM

This legacy of knowledge sharing, inclusiveness, peace, and cooperation were ethos of the Chinese history. While holding such practices, China rarely endeavoured to conquer and colonise the world. History is replete with examples of powerful nations invading smaller dominions and exploiting their resources with subordinating strategies to harbour influence by mutiny and pillage.

Down the centuries, while passing through Western imperialism and crude colonialism, humanity has and still is suffering from the recent onslaught of global radicalism and extremism, again by the repressive policies of the Western hegemons under the guise of fabricated and franchised terrorism. It was then post 9/11 that further drove impetus to transitional uncertainties, ideological muddles, and conceptual reorientation along with the migration of extremist ideologies beyond boundaries; including maniacal pursuit for economic accentuation, altogether, resulted in a multi-polar world order for states to redefine their security and survival in today's world. All these raging infernos bred vulnerabilities and mistrust amongst nation states all over the world.

AJK plans tourism corridor along CPEC

In the face of such global unrest, China's "One Belt, One Road" network under the realm of a community of shared destiny is destined to integrate people round the world without posing any threats to their security and existence. This quintessential initiative is also promoting the cause of "South-South Cooperation" which brings budding opportunities to the developing states to seek economic independence and rid themselves of the perennial ruling hands of the US, the World Bank, the IMF and the likes.

Historically, since the 1960s, China has been helping Pakistan by establishing defence and other industries and now with CPEC, it is estimated that the latter will become the 16th largest promising economy by 2050. Sino-Pak cooperation will bring equitable development in the socio-economic sector on a par with other developed countries.

Conversely, the US has never sincerely tried to empower Pakistan; rather the former always strayed off the latter at turbulent times. Consequently, Pak-US functional relations have always stayed under the clouds of mistrust. Nevertheless, positively, the daunting days of "do more" hefty obligations are now over, because of knowing and recognising the worth of China's longstanding brotherly relations.

Unquestionably, CPEC will be yielding multi-folded benefits not only to Pakistan but to the entire region, yet it is constantly challenged by the emerging geo-strategic and geo-political swings at regional and global levels. Hence, both global and regional players are busy in hatching conspiracies to contradict China's unconscious global influence along with Pakistan's rise in South Asia.

The US, which sees China as a global competitor, is trying its sinister strategies to obfuscate the latter's progress, especially in the South China Sea, but China's powerful military muscles are ever ready to defy any external aggression in the maritime debacles. CPEC will open the corridors of options for China to consolidate its influence from this route and stay connected to the rest of the world without relying alone on the Strait of Malacca. It is also estimated that the One Belt, One Road initiative would establish close land and maritime connections between 66-plus countries across Asia and Europe.

Pakistan welcomes Britain's desire to join CPEC

Similarly, both Indo-US strategic partners are wary of the fact that CPEC is currently "going great guns" and by the time it is complete the economic trajectory of Eurasian, Central Asian, South Asian, and Middle Eastern states will be changed for good. Moreover, of late, both Indo-US strategic partners seem reluctant to partake in a summit organised by Chinese President Xi Jinping on a "New Silk Road" which is scheduled in Beijing on May 14-15.

In this day and age, state relations are measured by economic worth and CPEC is setting an example to the rest of the states to seek speedy growth based on equity and equality without compromising a state's freedom.

Whereas India is bent upon its hegemonic posture and not waking up to the reality: consider its acrimonious actions against CPEC and attempting to sow internal discord inside Pakistan's territorial boundaries would only exacerbate the lingering hostilities with its neighbours and may throw the whole region into disarray. Despite the tantalising regional and global impediments, it is an opportune time for both China and Pakistan to push harder for accomplishing all CPEC-related goals and ensuring the creation of a community of common destiny.

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CPEC

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# CPEC UPDATES

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# CPEC ENERGY PROJECTS

| PROJECT NAME | PROGRESS UPDATE |
|---|---|
| 2×660MW Coal-fired Power Plants at Port Qasim Karachi | • Financial Closed (FC) achieved<br>• Civil works on site started in May 2015<br>• Jetty completed<br>• Plant 2 months ahead of schedule<br>• Energization in October 2017<br>• Expected Commercial Operation Date (COD) June 2018 |
| Suki Kinari Hydropower Station, Naran, Khyber Pukhtunkhwa | • Financial Close achieved<br>• Land acquisition award announced on 17th Nov, 2016<br>• EPC Contractor mobilized to initiate construction activities<br>• Commercial Operation Date (COD) 2021/2022 |
| Sahiwal 2x660MW Coal-fired Power Plant, Punjab | • Financial Closed (FC) achieved<br>• Inauguration of first unit (1x660 MW) by the Prime<br>• Minister of Pakistan on 25th May 2017<br>• Second unit synchronized with system and complex is successfully contributing more than 1000 MW continuously<br>• COD attained 6 months ahead of schedule |
| Engro Thar Block II 2×330MW Coal fired Power Plant<br>TEL 1×330MW Mine Mouth Lignite Fired Power Project at Thar Block-II, Sindh, Pakistan<br>ThalNova 1×330MW Mine Mouth Lignite Fired Power Project at Thar Block-II, Sindh, Pakistan | • Financial Closed (FC) achieved in April, 2016<br>• Team mobilized at site<br>• Construction work in progress<br>• Construction of Transmission line-contract awarded. Contractor mobilized<br>• Commercial Operation Date (COD) June, 2019 |
| Surface mine in block II of Thar Coal field, 6.5 million tons/year | • Financial Closed (FC) achieved<br>• IA/EA signed<br>• 3.8 metric tons per annum (MTPA)<br>• 76 m depth achieved<br>• COD expected 2018/2019 |
| Hydro China Dawood 50MW Wind Farm(Gharo, Thatta) | • Financial Closed (FC) achieved on March 27, 2015<br>• Commercial Operation Date (COD) attained 5th April, 2017<br>• Current Status: Operational |
| 300MW Imported Coal Based Power Project at Gwadar, Pakistan | • LOI has been issued to the Company on 26th May 2017<br>• CCCC to complete feasibility study for applying cost plus tariff<br>• Submission of tariff application to NEPRA by 12th July 2017 |
| Quaid-e-Azam 1000MW Solar Park (Bahawalpur)<br>UEP 100MW Wind Farm (Jhimpir, Thatta) | • COD of 3 x 100 MW attained in August 2016<br>• Financial Closed (FC) achieved on March 30, 2015<br>• Commercial Operation Date (COD) attained 16th June, 2017<br>• Current Status: Operational |

## CPEC ENERGY PROJECTS

| PROJECT NAME | PROGRESS UPDATE |
|---|---|
| 300MW Imported Coal Based Power Project at Gwadar, Pakistan | • LOI has been issued to the Company on 26th May 2017<br>• CCCC to complete feasibility study for applying cost plus tariff<br>• Submission of tariff application to NEPRA by 12th July 2017 |
| Quaid-e-Azam 1000MW Solar Park (Bahawalpur)<br>UEP 100MW Wind Farm (Jhimpir, Thatta) | • COD of 3 x 100 MW attained in August 2016<br>• Financial Closed (FC) achieved on March 30, 2015<br>• Commercial Operation Date (COD) attained 16th June, 2017<br>• Current Status: Operational |
| Sachal 50MW Wind Farm (Jhimpir, Thatta) | • Financial Closed (FC) achieved on December 18, 2015<br>• Commercial Operation Date (COD) attained 11 April, 2017<br>• Current Status: Operational |
| SSRL Thar Coal Block-I 7.8mtpa &SEC Mine Mouth Power Plant(2×660MW)<br>Karot Hydropower Station | • Expected Commercial Operation Date (COD) 2018 / 2019<br><br>• Land acquisition award done<br>• Financial Close achieved on 22nd February 2017<br>• Construction of access road/bridge, concrete batching plant, diversion tunnel and spillway, etc. are in process<br>• Work initiated through equity – 25% civil works completed<br>• Commercial Operation Date (COD) 2020/2021 |
| Three Gorges Second Wind Power Project<br>Three Gorges Third Wind Power Project | • LOS issued in August 2016<br>• EPA initialed on 30th Nov, 2016<br>• Construction activity already started from equity<br>• Financial Close March 2017<br>• COD September, 2018 |
| CPHGC 1,320MW Coal-fired Power Plant, Hub,Balochistan | • IA signed on 25th January 2017<br>• LOS issued on 12th April 2016; 1st extension to LOS issued on 24th January 2017<br>• Commercial Operation Date (COD) expected 2018/2019 |
| Matiari to Lahore ±660kV HVDC Transmission Line Project | • Feasibility study completed<br>• Tariff determined by NEPRA<br>• TSA/IA initialed in December 2016<br>• Land acquisition for converter stations at Lahore and Matiari completed<br>• China Electric Power Equipment and Technology Company(CET) / State Grid nominated by Chinese side<br>• COD expected in 2018 / 2019 |
| Matiari (Port Qasim) –Faisalabad Transmission Line Project | • Feasibility study completed<br>• Decision on tariff review petition announced by NEPRA<br>• COD expected in 2018 / 2019<br>• TSA/IA initialed during 6th JCC<br>• China Electric Power Equipment and Technology Company(CET) / State Grid nominated by Chinese side<br>• COD expected in 2018 / 2019 |

## CPEC ENERGY PROJECTS

| PROJECT NAME | PROGRESS UPDATE |
|---|---|
| Thar Mine Mouth Oracle Power Plant ( 1320MW) & surface mine | • Project is registered with PPIB<br>• The Sponsors are yet to submit a complete proposal to PPIB |
| Kohala Hydel Project, AJK | • Feasibility Study (stage-1) Tariff Announced by NEPRA<br>• Land Acquisition process started<br>• Environmental Impact Assessment study being updated<br>• EPC Contractor has been selected<br>• Financial close planned in Dec 2017<br>• Transmission/interconnection study has been approved by NTDC<br>• Expected Commercial Operation Date (COD) 2023 |
| Rahimyar khan imported fuel Power Plant 1320 MW | • Feasibility in process |
| Cacho 50MW Wind Power Project | |
| Western Energy (Pvt.) Ltd. 50MW Wind Power Project | |
| Phandar Hydropower Station | |
| Gilgit KIU Hydropower | |

## CPEC INFRASTRUCTURE PROJECTS

| PROJECT NAME | PROGRESS UPDATE |
|---|---|
| KKH Phase II (Thakot -Havelian Section) | • Contractor mobilized<br>• Work commenced in September, 2016<br>• To be completed by December 2019<br>• Havelian- Abbotabad-Mansehra (39 KM) section will be completed by April, 2018 |
| Peshawar-Karachi Motorway (Multan-Sukkur Section) | • Contractor mobilized<br>• Construction works commenced in August, 2016<br>• 129 km Multan- Tranda M. Panah (Bahawalpur) section to be completed by April,2018<br>• 125 km Sukkur- Sadiqabad section to be completed by April, 2018<br>• 04 out of 07 sections to be completed by April, 2018 |
| Khuzdar-Basima Road N-30 (110 km) | • Procedural formalities to be completed shortly |
| Upgradation of D.I.Khan (Yarik) - Zhob, N-50 Phase-I (210 km) | • PC-I Approved by ECNEC on 12th April, 2017<br>• Land acquisition in Progress<br>• Frame work Agreement Forward to MOC |
| KKH Thakot-Raikot N35 remaining portion (136 Km) | • Procedural formalities to be completed shortly |

# CPEC INFRASTRUCTURE PROJECTS

| PROJECT NAME | PROGRESS UPDATE |
|---|---|
| **Western Route** | |
| Hakla D.I Khan Motorway (285 km) | • Work in Progress |
| D.I Khan (Yarik)-Zhob (N-50) 210 km | • Feasibility and PC-I completed<br>• LOI forwarded to Chinese side |
| Zhob-Quetta (N-50) 331 km | • China-Pakistan Transport Joint Working group agreed to include upgradation of the section as short term project.<br>• Hiring of Consultancy for feasibility and design initiated.<br>• Land Acquisition along Existing road Under Process. |
| Zhob-Quetta-Chaman Section (N-25) 431 km | • Procurement of consultant for Detail Design completed.<br>• Detail designing to be completed in may/June 2017 |
| Surab-Hoshab (N-85) | • Completed |
| Gwadar-Turbat-Hoshab (M-8) | • Completed and Inaugurated |
| **Rail Sector Projects** | |
| Expansion and reconstruction of existing Line, Main line one, ML-1 (Karachi-Peshawar) | • Feasibility completed<br>• Framework Agreement signed |
| Havelian Dry Port (450 M. Twenty-Foot Equivalent Units) | • Feasibility completed |
| Capacity Development of Pakistan Railways | • Focus groups be established for effective training and capacity enhancement |

# CPEC GWADAR PROJECTS

| PROJECT NAME | PROGRESS UPDATE |
|---|---|
| Gwadar East-Bay Expressway | • Minutes of EAD-MOFCOM signed<br>• Ground Breaking Performed by PM (22nd Nov) |
| New Gwadar International Airport | • Minutes of EAD-MOFCOM signed in August 2016<br>• Grant agreement signed in May, 2017 |
| Construction of Breakwaters | • Draft business plan has been received from Chinese (COPHCL), under review by MoP&S and GPA |
| Dredging of berthing areas & channels | • Draft business plan has been received from Chinese (COPHCL), under review by MoP&S and GPA |
| Development of Free Zone | • Ground breaking done by the Prime Minister<br>• 100% private investment inside Free Zone. To be operated by COPHCL<br>• 1st phase completion date is December 2017<br>• Significant progress and response from investors<br>• Gwadar Free Zone investment guide line published |

## CPEC GWADAR PROJECTS

| PROJECT NAME | PROGRESS UPDATE |
|---|---|
| Necessary facilities of fresh water treatment, water supply and distribution | • PC-I for 5 MGD RO plant for Gwadar cleared by CDWP in Dec 2016<br>• Draft Framework Agreement shared with Chinese side and likely to be signed soon |
| Pak China Friendship Hospital | • Grant request sent by EAD to MOFCOM<br>• Feasibility study completed by Chinese team to add 100 beds from existing 50, for subsequent extension to 300 beds<br>• LOE is expected to be signed in 2017 |
| Technical and Vocational Institute at Gwadar | • Chinese technical team expected to visit early this year to conduct feasibility study<br>• MoU likely to be signed soon |
| Gwadar Smart Port City Master Plan | • MOU signed in November 2015<br>• LOE signed in August 2016<br>• Name of one Consultant received by EAD. The case is being processed on fast track to ensure completion within twelve months |
| Bao Steel Park, petrochemicals, stainless steel and other industries in Gwadar | • Necessary approval process would be completed at the earliest for inclusion as new CPEC Project under Gwadar JWG |
| Development of Gwadar University (Social Sector Development) | • Chinese side will identify a leading Chinese university for collaboration with University of Gwadar on marine & maritime related subjects along with other disciplines |
| Upgradation and development of fishing, boat making and maintenance services to protect and promote livelihoods of local population | • COPHCL would take effective measures for social sector development |

## CPEC OTHER PROJECTS

| PROJECT NAME | PROGRESS UPDATE |
|---|---|
| Cross Border Optical Fiber Cable | • Ground breaking cermony performed by the Prime Minister<br>• Work commenced October 2015<br>• Work on 450km/ 820km segment completed<br>• Expected Completion Dec 2017 |
| Pilot Project of Digital Terrestrial Multimedia Broadcast (DTMB) | • Demonstration project with Chinese side is being processed |

# CPEC RAIL BASED MASS TRASIT PROJECTS

| PROJECT NAME | PROGRESS UPDATE |
|---|---|
| Karachi Circular Railway | • PC-I of KCR approved from CDWP |
| Greater Peshawar Region Mass Transit | • Agreement with Pakistan Railways for track access.<br>• PC I is expected to be finalized by the end of first quarter of 2018. |
| Quetta Mass Transit | • JCC agreed in principle for inclusion of Rail Based Mass Transit Systems in Provincial headquarters as part of CPEC<br>• JWG on Transport Infrastructure has been asked to complete the necessary formalities |
| Orange Line - Lahore | • Construction work underway |

# CPEC NEW PROVINCIAL PROJECTS

| PROJECT NAME | PROGRESS UPDATE |
|---|---|
| Keti Bunder Sea Port Development Project | • Further studies and consultations to be initiated<br>• Projects referred to concerned JWGs for consideration |
| Naukundi-Mashkhel-Panjgur Road Project connecting with M-8 & N-85 | • Further studies and consultations to be initiated<br>• Projects referred to concerned JWGs for consideration |
| Chitral CPEC link road from Gilgit, Shandor, Chitral to Chakdara | • Further studies and consultations to be initiated<br>• Projects referred to concerned JWGs for consideration |
| Mirpur – Muzaffarabad - Mansehra Road Construction for connectivity with CPEC route | • Further studies and consultations to be initiated<br>• Projects referred to concerned JWGs for consideration |
| Quetta Water Supply Scheme from Pat feeder Canal, Balochistan | • Relevant Provincial Govts. to work out proposals on implementation of projects |
| Iron Ore Mining, Processing & Steel Mills complex at Chiniot, Punjab | • Relevant Provincial Govts. to work out proposals on implementation of projects |

# CPEC PROPOSED SPECIAL ECONOMIC ZONES(SEZS)

| PROJECT NAME | PROGRESS UPDATE |
|---|---|
| Rashakai Economic Zone , M-1, Nowshera, KPK | • Work on SEZs to be initiated on priority |
| China Special Economic Zone Dhabeji, Sindh | • Work on SEZs to be initiated on priority |
| Bostan Industrial Zone, Balochistan | • Work on SEZs to be initiated on priority |
| Allama Iqbal Industrial City (M3), Faisalabad, Punjab | • Work on SEZs to be initiated on priority |
| ICT Model Industrial Zone, Islamabad | • Work on SEZs to be initiated on priority |
| Development of Industrial Park on Pakistan Steel Mills Land at Port Qasim near Karachi, Sindh | • Work on SEZs to be initiated on priority |
| Special Economic Zone at Mirpur, AJK | • Work on SEZs to be initiated on priority |
| Mohmand Marble City, FATA | • Work on SEZs to be initiated on priority |
| Moqpondass SEZ Gilgit-Baltistan | • Work on SEZs to be initiated on priority |

# CPEC SOCIAL SECTOR DEVELOPMENT

| PROJECT NAME | PROGRESS UPDATE |
|---|---|
| People to People exchanges | • Efforts are being made for intensification of People to People contact, media and cultural exchanges (including movies, drama, theatre etc.) would be done through agreed yearly programmes Both sides have resolved to promote Chinese and Pakistani culture and heritage as a way of long term partnership which is embedded at all levels in the two societies. |
| Transfer of Knowledge in different sectors | • Experts from Industrial zones, rural and urban development,job creation & SMEs, water resources management & treatment and agriculture. |
| Establishment of Pakistan Academy of Social Sciences | • Efforts to being made for establishment of PASS with the Chinese Academy for Social Sciences. HEC has been made focal agency on Pakistan and consultative process has commenced. |
| Transfer of Knowledge in Education sector through Consortium of Business Schools | • Consortium of Top Business Schools from Chinese and Pakistan Side established. HEC is leading the Project. |

# CPEC & RELATED PROJECTS UNDER PUBLIC SECTOR DEVELOPMENT PROGRAM (PSDP)

## FEDERAL PSDP 2017-18

(Rs Million)

| PSDP S# | Project Name | Approval Status | Cost | | Expenditure 30-06-2017 | Throw-forward | Allocation 2017-18 | | |
|---|---|---|---|---|---|---|---|---|---|
| | | | Total | Foreign Assistance | | | Foreign Assistance | Rupee | Total |
| **AVIATION DIVISION** | | | | | | | | | |
| 10 | New Gwadar International Airport (NGIA) (CPEC) | ECNEC 12.01.2015 | 22247.450 | 2751.120 | 1023.567 | 21223.883 | 900.000 | 100.000 | 1000.000 |
| **COMMUNICATIONS DIVISION (NHA)** | | | | | | | | | |
| 77 | Basima - Khuzdar (106 km) N-30 CPEC | ECNEC 07.03.2017 | 19188.435 | 0.000 | 10.000 | 19178.435 | 1200.000 | 300.000 | 1500.000 |
| 86 | Construction of Burhan-Havelian Expressway (E-35) 59.1 Km | CDWP 03.07.2014 | 30494.150 | 25920.028 | 27045.286 | 3448.864 | 2500.000 | 500.000 | 3000.000 |
| 92 | Construction of Hakla on M-1 to Yarik D.I.Khan Motorway (CPEC) | ECNEC 22.04.2016 | 110208.000 | 0.000 | 12000.000 | 98208.000 | 0.000 | 38000.000 | 38000.000 |
| 113 | Dualization of Yarik - Mughalkot - Zhob section of N-50 (210 km) CPEC Western Alignment including Zhob Bypass and Land Acquisition | ECNEC 12.04.2017 | 74486.231 | 63313.296 | 850.000 | 73636.231 | 4000.000 | 1000.000 | 5000.000 |
| 114 | Gwadar - Turbat - Hoshab Section (200Km) of Gwadar - Ratodero Road (892 Km) M-8 including Khuzdar - Shahdadkot - Ratodero (143 km) - (Gwadar, Turbat, Khuzdar in Balochistan and Kamber, Shahdadkot & Larkana in Sindh) | NHC 25.03.1999 (RUP) | 25169.660 | 0.000 | 31355.340 | -6186.680 | 0.000 | 1500.000 | 1500.000 |
| 117 | Improvement and Widening of Jaglot - Skardu Road (S-1, 167 km) - Land Acquisition (CPEC) | | 1500.000 | 0.000 | 0.000 | 1500.000 | 0.000 | 1500.000 | 1500.000 |
| 118 | Improvement and Widening of Jaglot - Skardu Road (S-1, 167 km) (CPEC) | ECNEC 03.11.2016 | 22154.037 | 19938.633 | 104.030 | 22050.007 | 0.000 | 7000.000 | 7000.000 |
| 124 | Lahore-Abdul Hakeem Section (230 km) (PKM) | ECNEC 14.11.2015 | 150665.025 | 0.000 | 64880.546 | 85784.479 | 0.000 | 47006.984 | 47006.984 |
| 125 | Land Acquisition , Affected properties compensation for construction of Burhan-Hakla to D.I. Khan Motorway | ECNEC 22.04.2016 | 11973.000 | 0.000 | 3342.941 | 8630.059 | 0.000 | 1000.000 | 1000.000 |
| 128 | Multan - Sukkur Section (387 km) Credit Financing (90:10) (PKM) | ECNEC 19.12.2015 | 298008.467 | 221384.705 | 85118.021 | 212890.446 | 35000.000 | 250.000 | 35250.000 |
| 137 | Rehabilitation of D.I Khan Mughal Kot 50 km Section N-50 (FERP Phase-I) | ECNEC 10.04.2015 (Total Rs. 49,863.02 M) | 4025.846 | 3623.261 | 400.000 | 3625.846 | 1000.000 | 500.000 | 1500.000 |
| 140 | Sukkur - Hyderabad Section (296 km) | Un-Approved | 175000.000 | 0.000 | 500.000 | 174500.000 | 0.000 | 2500.000 | 2500.000 |
| 141 | Thakot to Havelian 118 KM (Construction) (Phase-I) (CPEC) | ECNEC 19.12.2015 | 136659.660 | 0.000 | 34873.913 | 101785.747 | 20750.000 | 500.000 | 21250.000 |
| 142 | Thakot to Havelian 118 KM (Land) (Phase-I) (CPEC) | ECNEC 04.12.2014 | 6858.000 | 0.000 | 6057.167 | 800.833 | 0.000 | 800.833 | 800.833 |
| 144 | Widening & Improvement of N-85, Hoshab - Nag - Basima - Surab Road (459 Km) (Khuzdar,Panjgur) | ECNEC 06.03.2007 | 22412.464 | 0.000 | 20114.945 | 2297.519 | 0.000 | 1000.000 | 1000.000 |
| 146 | Zhob Mughal Kot 81 Km N-50 (NHDSIP, ADB) | ECNEC 21.01.2010 (Total Rs. 49,954.78 M) | 9100.000 | 5190.000 | 3560.656 | 5539.344 | 1000.000 | 250.000 | 1250.000 |
| 154 | Gilgit Shandoor Chitral Chakdara Road (CPEC) | Un-Approved | 22000.000 | 0.000 | 0.000 | 22000.000 | 0.000 | 200.000 | 200.000 |
| 157 | Mirpur - Mangla - Muzaffarabad - Mansehra Road (CPEC) | Un-Approved | 142000.000 | 0.000 | 0.000 | 142000.000 | 0.000 | 200.000 | 200.000 |
| | | Sub-total: | 1259901.975 | 342369.923 | 290212.845 | 969689.130 | 65450.000 | 104007.817 | 169457.817 |

# CPEC & RELATED PROJECTS UNDER PUBLIC SECTOR DEVELOPMENT PROGRAM (PSDP)

## FEDERAL PSDP 2017-18

(Rs Million)

| PSDP S# | Project Name | Approval Status | Cost | | Expenditure 30-06-2017 | Throw-forward | Allocation 2017-18 | | |
|---|---|---|---|---|---|---|---|---|---|
| | | | Total | Foreign Assistance | | | Foreign Assistance | Rupee | Total |
| FINANCE DIVISION | | | | | | | | | |
| 204 | Necessary Facilities of Fresh Water Treatment, Water Supply and Distribution Gwadar (CPEC) | CDWP 30.03.2015 | 11396.000 | 0.000 | 2065.000 | 9331.000 | 200.000 | 500.000 | 700.000 |
| HIGHER EDUCATION COMMISSION | | | | | | | | | |
| 360 | Establishment of National Institutes of Applied Technologies and Specialized Research Centers to support CPEC initiatives | Un-Approved | 800.000 | 0.000 | 0.000 | 800.000 | 0.000 | 160.000 | 160.000 |
| INDUSTRIES & PRODUCTION DIVISION | | | | | | | | | |
| 452 | Infrastructure Development of Export Processing Zone at Gawadar (CPEC) | Un-Approved | 5400.367 | 0.000 | 0.000 | 5400.367 | 0.000 | 1116.961 | 1116.961 |
| INFORMATION TECHNOLOGY & TELECOM DIVISION | | | | | | | | | |
| 483 | Construction of Cross – Border Optical Fiber Cable (OFC) System Between China and Pakistan For International Connectivity of Voice / Data Traffic | ECNEC 09.12.2016 | 4340.600 | 3689.500 | 1557.353 | 2783.247 | 41.000 | 200.000 | 241.000 |
| 494 | Expansion and Upgradation of NGMS (3G/4G) Services and Seamless Coverage along KKH (in Support of CPEC) in GB | CDWP 17.01.2017 | 2995.000 | 0.000 | 0.000 | 2995.000 | 0.000 | 113.267 | 113.267 |
| | | **Sub-total:** | **7335.600** | **3689.500** | **1557.353** | **5778.247** | **41.000** | **313.267** | **354.267** |
| PLANNING, DEVELOPMENT & REFORM DIVISION | | | | | | | | | |
| 727 | CPEC Institute, Gwadar | Un-Approved | 1000.000 | 0.000 | 0.000 | 1000.000 | 0.000 | 500.000 | 500.000 |
| 731 | Pak-China Year of Friendly Exchanges Programme (CPEC) | Un-Approved | 350.000 | 0.000 | 0.000 | 350.000 | 0.000 | 10.000 | 10.000 |
| | | **Sub-total:** | **1350.000** | **0.000** | **0.000** | **1350.000** | **0.000** | **510.000** | **510.000** |
| PORTS & SHIPPING DIVISION | | | | | | | | | |
| 739 | Construction of Eastbay Expressway (CPEC) | ECNEC 12.01.2015 | 14061.790 | 13542.590 | 71.000 | 13990.790 | 1050.000 | 400.000 | 1450.000 |
| 741 | Establishment of CPEC Support Unit (CSU) for Projects and Activities in GPA | DDWP 29.12.2015 | 56.777 | 0.000 | 27.621 | 29.156 | 0.000 | 29.156 | 29.156 |
| 744 | Feasibility Study for Construction of Break Water (CPEC) | CDWP 30.03.2016 | 300.000 | 0.000 | 120.000 | 180.000 | 0.000 | 180.000 | 180.000 |
| 745 | Pak-China Technical & Vocational Institute at Gwadar (CPEC) | CDWP 19.10.2014 | 912.330 | 776.000 | 20.000 | 892.330 | 400.000 | 50.000 | 450.000 |
| 750 | Capital Dredging of Berthing areas & channel for Additional Terminals (CPEC) | Un-Approved | 2800.000 | 2380.000 | 0.000 | 2800.000 | 0.000 | 300.000 | 300.000 |
| 752 | Land Acquisition as per Gwadar Port Master Plan | Un-Approved | 16000.000 | 0.000 | 0.000 | 16000.000 | 0.000 | 3000.000 | 3000.000 |
| | | **Sub-total:** | **34130.897** | **16698.590** | **238.621** | **33892.276** | **1450.000** | **3959.156** | **5409.156** |
| RAILWAYS DIVISION | | | | | | | | | |
| 760 | China Pakistan Economic Corridor (CPEC) Support Project at Ministry of Railways | CDWP 06.01.2015 | 252.000 | 0.000 | 63.184 | 188.816 | 0.000 | 50.000 | 50.000 |
| 761 | Comprehensive Feasibility Study for Upgradation/Rehabilitation of Mainline 1 (ML-1) and New Dry Port at Havelian (Salder) Distt Haripur under China-Pak Economic Corridor (CPEC) | CDWP 25.06.2014 | 389.736 | 0.000 | 290.082 | 99.654 | 0.000 | 82.000 | 82.000 |
| 764 | Doubling / Improvement of Existing Track from Port Qasim to Bin Qasim Station (CPEC) | CDWP 31.08.2013 | 1568.000 | 0.000 | 1444.079 | 123.921 | 0.000 | 123.921 | 123.921 |
| 767 | (i) PC-II for Feasibility Study to Connect Gwadar with Karachi (ii) Feasibility Study from Gwadar to Besima and from Besima to Jacobabad via Khuzdar (CPEC) | CDWP 29.11.2013 | 135.500 | 0.000 | 102.891 | 32.609 | 0.000 | 32.609 | 32.609 |

# CPEC & RELATED PROJECTS UNDER PUBLIC SECTOR DEVELOPMENT PROGRAM (PSDP)

## FEDERAL PSDP 2017-18

(Rs Million)

| PSDP S# | Project Name | Approval Status | Cost | | Expenditure 30-06-2017 | Throw-forward | Allocation 2017-18 | | |
|---|---|---|---|---|---|---|---|---|---|
| | | | Total | Foreign Assistance | | | Foreign Assistance | Rupee | Total |
| 755 | Preliminary Design / Drawings for Upgradation/ Rehabilitation of Main line (ML-1) and establishment of Dryport near Havelian under the China Pakistan Economic Corridor (CPEC) and hiring of Design / Drawings Vetting Consultants | ECNEC 12.04.2017 | 10641.634 | 0.000 | 3500.000 | 7141.634 | 0.000 | 7141.634 | 7141.634 |
| 791 | Feasibility study for Rail Link from Havelian to Pak China Border (682 K.M) (CPEC) | Un-Approved | 474.000 | 0.000 | 0.000 | 474.000 | 0.000 | 1.000 | 1.000 |
| 792 | Feasibility Study for Upgradation and Extension of ML-II in connection with CPEC | CDWP 17.01.2017 | 198.000 | 0.000 | 0.000 | 198.000 | 0.000 | 198.000 | 198.000 |
| 794 | Rehabilitation/Up-gradation of ML-I including Acquisition of land for new Dryport at Bulchair, District Haripur (CPEC) | Un-Approved | 432.000 | 0.000 | 0.000 | 432.000 | 0.000 | 432.000 | 432.000 |
| | | Sub-total | **14090.870** | **0.000** | **5400.236** | **8690.634** | **0.000** | **8061.164** | **8061.164** |
| REVENUE DIVISION | | | | | | | | | |
| 805 | Purchase of Land for Establishing Directorate of Transit Trade at Gilgit for CPEC Trade Facilitation | DDWP 23.02.2017 | 57.000 | 0.000 | 0.000 | 57.000 | 0.000 | 57.000 | 57.000 |
| WATER & POWER DIVISION (POWER SECTOR) | | | | | | | | | |
| 831 | Construction of 132 KV(AIS) Grid Station at Deep Sea Port Gwadar and the associated 132-KV D/C Transmission line | CDWP 21.12.2015 | 806.279 | 0.000 | 353.550 | 452.729 | 0.000 | 452.420 | 452.420 |
| 42 | | Total | 1357516.438 | 365509.133 | 300851.172 | 1056665.266 | 68041.000 | 119237.785 | 187278.785 |

## BELOW WEBSITES CAN BE SEEN FOR THE LATEST UPDATES AND DETAIL REGARDING CPEC PROJECT

www.pc.gov.pk
www.cpec.gov.pk
www.cpec-centre.pk
www.nepra.org.pk
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# CPEC

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## CPEC OPPORTUNTIES

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# URBAN DEVELOPMENT IN PAKISTAN UNDER CPEC

- 'Rapid Urbanization' under CPEC is creating agglomeration economy with opportunities in the sectors of real estate, urban infrastructure, construction, and municipal service delivery. CPEC projects are expected to create smart cities that would have technological and knowledge spillovers ensuring sustainability.
- CPEC brings investments from the Pakistani private sector in 'Low-carbon Urban Transportation' and other 'Clean Technologies for Cities'. In this regard, private sector in Pakistan can access to the international climate finance through Green Climate Fund (GCF) and other global funding opportunities.
- CPEC an economic corridor can become an 'environmental corridor' if the mechanism for development of the 'Regional Renewable Energy Trade' between China & Pakistan is formulated & implemented. Benefiting from the Chinese experience, Pakistan can move on the path of GREEN DEVELOPMENT.

# FINANCING AND FINANCIAL SECTOR INTEGRATION UNDER CPEC

- **Financial Inclusion through CPEC**

  "Financial inclusion means that individuals and businesses have access to useful and affordable financial products and services that meet their needs- transactions, payments, savings, credit and insurance that delivered in a responsible and sustainable way" (World Bank). New International commercial Banks are coming to Pakistan, just like Bank of China has established its branch in Pakistan etc. It brings new and modern financial products those can support the existing financial system.

- **Opportunities for Consultancy and brokerage services:**

  There are new opportunities to provide consultancy and brokerage services for Chinese and Pakistani investors. Chinese and other foreigners might be reluctant to invest in Pakistan because they are not well aware of Pakistani financial environment, so Pakistani experts (Consultants) have opportunities to provide consultancy and brokerage services to these people.

- **Financial Integration by Bancassurance:**

  Bancassurance is an arrangement in which a bank and an insurance company form a partnership so that insurance company can sell its products to the bank's client base. This could be implemented by agreement of understanding and strategic alliance etc. This opportunity is purely for the financial sector firms like banks and insurance companies, which could prospectively benefit from the higher degree of financial integration within Pakistan as well as with Chinese financial institutions.

- **Opportunities for Real Estate Business:**

  The Gwadar port city is expected to soon become one of the most in-demand real estate investment destinations in Asia. CPEC is poised to give tremendous boost to the real estate industry in Pakistan, which even otherwise, has a promising outlook, given that a 2.8% annual population growth rate (source: Federal Bureau of Statistics, 2016) entails that more housing projects will need to be established. Real estate corporations have opportunities for the housing schemes and commercial buildings.

# SOCIO- ECONOMIC IMPACTS OF CPEC

## CPEC Educational opportunities

### CPEC Consortium of Business Schools

The consortium aimed at setting the course of academic collaboration between the two countries Pakistan & China. Top 10 business schools from both countries are the part of this consortium.

Such initiatives will reshape the relationship of the universities with society by turning the former into an active player in economic development through creating scientific technological knowledge and innovation that goes beyond mere teaching and research but application of technological knowledge for the development in various fields.

### Scholarships for Pakistani students

CPEC is like a catalyst for economic development in terms of providing educational facilities. Chinese scholarships increased to 600 a year under CPEC for Pakistani students for the year 2016-17 from all over Pakistan. Moreover, about 131 students got scholarship certificates that further enhances the education exchanges programs in the times to come.

## Growing employment opportunities under CPEC

According to the international labor organization, CPEC would bring more than 400,000 jobs to the country while the Applied Economic Research Centre has estimated that the mega initiative would provide around 700,000 direct jobs between 2015 and 2030. The Planning Commission's data shows even more promising results, with CPEC generating around 800,000 jobs in the next 15 years. Besides, there will be a positive multiplier effect and more indirect and induced jobs will be created. Pakistan is about to gain a lot from these opportunities as there would also be a noteworthy increase in the annual economic growth of the country. CPEC created job opportunities are not only for laborers but also for professionals. For instance Port Qasim Coal Power Project conscripted hundreds of engineers to be sent to China for training. Being educated in China, and acquainted with the Chinese technologies and values, Pakistan has a prodigious competitive edge with this opportunity.

## Cultural Exchange Programs under CPEC

The MoU has been signed between Suzhou Vocational University and Education Department of Gilgit-Baltistan.

The functions of CPEC CCC are as follows: Sino-Pak Students Exchange, Academic Research and Seminar, Vocational Education, Chinese Culture Experience Camp, Teachers Exchange and so on. CPEC CCC will cultivate the talents especially for "B&R" and CPEC, it will become the Brand Program in the field of Sino-Pak education and culture communication.

CCC has a great piece of plan which is hundred talents of personnel education plan, in this plan, at least 100 students from Pakistan will be trained in higher education in China and get job offers. As a great piece of plan in 2017, CPEC CCC will offer them free tuition for the whole study.

## Tourism Opportunities under the realm of Socio-Economic Sector

CPEC will boost tourism in 73,000 sq. km region in Gilgit-Baltistan. This will be creating job opportunities for the local people and will further multiply the income prospects of the locality of GB. This is going to benefit not only the local people but it will also transcend its positive implication to other parts of the country.

# CPEC TRADE AND INDUSTRY COOPERATION

## Trade prospects and Potential industries

CPEC will play a key role in enhancing the trade through shifting the mode of transportation. Currently about 86% of trade is done through sea and only 2% through land. The availability of improved infrastructure (rail and road network) will help to increase in trade through decrease in transportation and transaction cost. China is the largest trading partner of Pakistan. About US$16bn of trade with China occurs mainly through the sea (97%) and only 1% through land. A significant fraction of trade with China will be diverted to the land route after the completion of the project.

Agriculture export receipts has dropped more than 15% for the year 2015-16. Agriculture export to China constitute 15% of total exports of Pakistan. Due to lack of linkages with manufacturing a great percentage of agrarian products are exported in the raw form. China is taking keen interest to invest in agribusiness to add value. Textile industry also lost competitiveness due to low value addition which is also considered for the investment and value addition to increase the export. Marble and mineral processing, food processing and packaging, and leather have great potential in maintaining the trade balance.

## Industrialization and Industrial Cooperation

The development of Special Economic Zones (SEZs) is also a mandate of Belt and Road Initiative (BRI) and in line with this, 9 SEZs are also prioritized in Pakistan. The SEZs are placed in naturally rich regions to tap the regional potential of Pakistan. These SEZs will have the potential to attract FDI, to expedite industrialization process and improve the export base for manufacturing, food and minerals processing, herbs, wood and fisheries.

Potential Chinese industries which are interested to relocate in SEZs in Pakistan includes light engineering, footwear, leather and textile which are labour intensive and will open job opportunities for unskilled labour. Some SEZs like Mohmand Marble zone and Quaid-e-Azam Apparel Park are dedicated to add value in marble and textile products respectively and improve the export base.

Special incentives will be given to those enterprises in SEZs which will add 20% and more value in the products and to high tech related industries.

## Gwader as Trading hub

Gwadar Port is one of the initial and key projects under CPEC. The port is being developed to meet the international standards with 120 berths and will be able to deal with trade traffic about 45-65 million tons (in 15 years) up to 300 million tons (in 50 years). It will strengthen the trade ties with land-locked countries and it is estimated that up to 4 percent of global trade will pass through Gwadar by 2020.

The revenue from Gwadar port is estimated to be $US40 billion annually. About 70% increase is expected in maritime trade through Gwadar port along with Ports in Karachi.

Properly functional Gwadar port will promote the development of petrochemical plant, clothing factory, cement plant and automobile factory and oil refinery.

# REGIONAL CONNECTIVITY UNDER CPEC

## Energy Pipelines and Transmission Lines between China and Pakistan:

As first phase of CPEC has been completed, now the next phase is industrialization. For industrialization there should be sustainable and secure energy. China-Pakistan can adopt Oil and gas pipeline, and transmission lines model to connect its energy base. Gwadar port will greatly enhance connectivity of other provinces and areas with Balochistan to facilitate further development. It is very close to geographical positions of oil and gas resources in the Middle East, offering low cost and much convenience. Adjacent to booming gulf countries, it enjoys convenient and fast transportation and low transport cost and risks. Large-sized cargo ships, oil tankers and passenger liners can conveniently berth as it is adjacent to the world's main shipping lines. As the channel of Gwadar Port is short and deep, with a big transshipment area, ship turning takes a little time.

## ICT Based Smart Cities:

As first phase of CPEC has been completed, now the next phase is industrialization. For industrialization there should be sustainable and secure energy. China-Pakistan can adopt Oil and gas pipeline, and transmission lines model to connect its energy base. Gwadar port will greatly enhance connectivity of other provinces and areas with Balochistan to facilitate further development. It is very close to geographical positions of oil and gas resources in the Middle East, offering low cost and much convenience. Adjacent to booming gulf countries, it enjoys convenient and fast transportation and low transport cost and risks. Large-sized cargo ships, oil tankers and passenger liners can conveniently berth as it is adjacent to the world's main shipping lines. As the channel of Gwadar Port is short and deep, with a big transshipment area, ship turning takes a little time.

CPEC

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# ACTIVITIES

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Inauguration of COE-CPEC
Islamabad, Pakistan
27th March, 2017

Talk by Stefan Dercon
Chief Economist DFID at PIDE
Islamabad, Pakistan

Delegation from Embassy of China
led by Mr Lijian Zhao Deputy
Chief of Mission visiting CoE-CPEC
Islamabad, Pakistan

President of China Academy of Social Sciences (CASS) Prof. Wang Weiguang visiting COE-CPEC Islamabad, Pakistan


CPEC Capacity Building of Media Delegation from Balochistan
Islamabad, Pakistan

Delegation of China Export and Credit Insurance (Sinosure) visiting MPD&R
Quetta, Pakistan


Round Table Conference
on CPEC Socio Economic Impacts
at COE-CPEC
Islamabad, Pakistan

Meeting with Dr. Tariq Banuri,
Executive Director, Global
Change Impact Studies Centre
Islamabad, Pakistan

Dr. Shahid Rashid,
ED COE-CPEC & Mr. Yasir Arrfat,
Acting Head of Policy delivering
talk about CPEC to the business
community of Karachi at
Old Customs House Karachi
Karachi, Pakistan


Yasir Arafat, Acting Policy Head of Regional Connectivity is delivering talk at "Business and Research Seminar on CPEC" at LCCI collaboration with FBR and Customs (Lahore) Islamabad, Pakistan

Dr. Saleem Jangua, Policy Head, (Urban Development) is meeting with Vice Chancellor Buitems Quetta, Pakistan

Dr. Shahid Rashid Executive Director and Dr. Saleem Janjua Policy Head (Urban Development) with Government of Balochistan for arrangements of Pakistan Urban Forum at BUITEMS Campus Quetta, Pakistan

Collaborative meeting between COE-CPEC and GTTN teams at NUST Islamabad, Pakistan

Dr. Saleem Janjua Policy Head (Urban Development) meeting with Dr. Nasir Javed, Chief Executive Officer (CEO), Urban Unit Lahore, Pakistan

Mr. Yasir Arrfat, Acting Head of Policy-Regional Connectivity is delivering talk at International Conference on CPEC: Current Situation, Challenges and Prospects Shanghai, China

Meeting arrenged by
Dr. Saleem Janjua Policy Head
(Urban Development) and his team
with Fatima Jinnah Women University
Islamabad, Pakistan

Delegation from Jilin University
China visiting COE-CENTRE
Islamabad, Pakistan

Urban Development Divison of
COE-CPEC conducted
PRE SEMINAR for 4th Pakistan
Urban forum (PUF)
(CPEC & CITIES)
Quetta, Pakistan.

Dr. Shahid Rashid and Dr. Saleem Janjua COE-CPEC participated in seminar on Mainstreaming Environment in CPEC Projects Special Focus on SEZ (Special Economic Zone) Mirpur, Pakistan

Delegation from Gilgit visiting COE-CPEC Islamabad, Pakistan

Delegation from Fudan University visiting COE-CPEC Islamabad, Pakistan

# TEAM

## CENTRE OF EXCELLENCE FOR CPEC

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GET MORE

**CENTRE OF EXCELLENCE**
China-Pakistan Economic Corridor

Ministry of Planning, Development & Reform
Government of Pakistan

Pakistan Institute of Development Economics
Islamabad

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