



## ANALYSES & COMMENTS BY BR RESEARCH

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## ‘CPEC created 75,000 jobs in last five years’

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### An interview with the Executive Director, CPEC Centre of Excellence

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*Dr Shahid Rashid has been serving since March 2017 as the Executive Director of Centre of Excellence, China-Pakistan Economic Corridor (COE-CPEC) – a joint initiative of Pakistan Institute of Development Economics (PIDE) and Ministry of Planning, Development and Reform (MOPDR). A supply-chain-management and project-management professional with over 17 years of local and global experience, Dr. Rashid obtained his PhD from Loughborough University, UK (2009). He has been actively involved in teaching and research at different universities as visiting faculty. Previously, he was Deputy Director Supply Chain Management in CPEC Secretariat, MOPDR. Prior to that, he was General Manager and Deputy Project Director at National Development Complex, NESCOM Islamabad. Alongside his other academic contributions, he has successfully supervised 4 PhD projects; another two projects are in progress, including one specific to CPEC.*

*Below are edited excerpts from BR Research’s recent sit-down in Islamabad with the chief of Pakistan’s leading research body on CPEC:*

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**BR Research:** There is some confusion as to this center’s mandate, its target audience, and the tools it has at its disposal to deliver its mandate. Can you help us understand those three things?

**Dr. Shahid Rashid:** To answer your question, I will need to get into a little bit of background. As you know, there is a JCC for CPEC, under which five joint working groups exist. Each working group is associated with a line ministry for the specific, relevant projects under CPEC. For instance, Secretary Communications and the NHA are looking after all the transport-related projects. This structure has been there for the early-harvest projects in the

1+4 themes: first one is the construction of the corridor and the latter four areas are infrastructure, energy, Gwadar, and industrial cooperation.

In the early-harvest phase, the government-to-government engagement was paramount – it had the advantages of being smooth and focused. But the later stages of CPEC – such as, in the medium-term to cultivate the market, and in the long-term to attain sustainable growth through different industrial activities – will involve the private sector more as they include business-to-business and social linkages. Those linkages will need a lot of research so that both the Chinese and Pakistani stakeholders understand what the niches for win-win cooperation are. This was why the Center of Excellence was created. The objective is to carry out relevant research to smoothly transform CPEC from early-harvest to medium and long-term phases.



Our target audience is both the government and the public at large and for each of those we have developed specific products. For instance, “CPEC Policy Paper Series” has been developed and published to recommend policymakers the needed policy interventions to sustainably build the economic corridor in orderly, inclusive and viable way. The “CPEC Working

Paper Series” provides the foundation to develop the policy recommendations through evidence-based, in-depth research focused on key areas and prevailing issues of CPEC. The core readership of the working papers includes universities, research institutions and think-tanks working on CPEC both at national and international level.

Another product is “CPEC Quarterly Magazine,” which is a multi-perspective product, including Reader’s Corner, CPEC Project Updates, CPEC Opportunities and this Center’s events & activities. It aims to inform a diverse group of audience about CPEC, including the business community, diaspora, government departments, lawmakers, civil society and diplomatic community across the country and abroad. Development of true narrative is vital for CPEC, for which a case-study series has been launched namely “CPEC Insight’s” to debunk the myths and inform the interested parties with facts and figures

We use a diverse set of qualitative methods and quantitative tools at COE-CPEC, and their use varies from problem to problem. For instance, SIMUL8, Arena and Stella have been used to analyse different freight transportation scenarios and their implications under CPEC. Different databases, digital library and knowledge management system are in place to improve efficiency of the enterprise.

**BRR: How have you organised the COE-CPEC research teams?**

**SR:** As you know that CPEC has a set of inclusive and diverse projects that cut across different sectors of economy and society. Keeping in view the long-term prospects under CPEC, we have divided our research into six thematic areas related to CPEC. These areas are socioeconomic impact, trade and industrial cooperation, regional connectivity, job growth and human resource development, financial sector integration, and urban development.

It took a while before we reached optimal strength. However, at present, each of the thematic areas is headed by a foreign qualified PhD scholar having suitable expertise and exposure. Each team has a senior research fellow, a research associate and research interns. The team workplace is configured in a shape of thematic cluster to boost harmony and efficiency. Besides the research thematic teams, the strategic communication team devises and manages ways and means to disseminate the research work of the enterprise, connecting within Pakistan and with rest of the world through an ERP tool and a multi-lingual (English, Urdu & Chinese) website ([www.cpec-centre.pk](http://www.cpec-centre.pk)).

Moreover, the COE has adopted the “Triple Helix Model” of collaboration and innovation to collect the wider national and international viewpoints to support the inclusive development. The 1st phase of our “CPEC Competitive Research Grants” has been initiated in Sept 2017, which is almost concluded with generation of 81 research studies on CPEC so far. Those studies are contributed by scholars and practitioners from across the country.

**BRR: So it’s been almost a year since the center started working at optimal capacity. What kind of research targets were set and what deliverables have come out thus far? Also, is there a process or criteria to select specific research themes?**

**SR:** There are two committees that look after COE-CPEC. First, we have the Steering Committee, which supervises this body and has its meeting once a year. Then we have the Research Advisory Committee (RAC), which helps us in setting our research priorities and meets twice a year. Both committees include relevant and renowned people both from the government and outside.

One Steering Committee meeting and three RAC meetings have been conducted so far, setting the specific research agenda on CPEC-related key topics, including current issues and future needs. We have completed

more than 90 analytical publications compiled in the four product categories discussed earlier and downloadable versions of these are available at our website. Another twenty publications are in the pipeline.

**BRR: For external validation, are you getting published in research journals?**

**SR:** We highly support our authors getting published in quality journals. We have also requested the HEC and they have shared our request with all the universities working in the Social Sciences area to open a special issue on CPEC within their rated journals. I have requested PIDE, which is our executing body, to open a special issue on CPEC. Some of our research is already published as our papers are regularly accepted in conferences at local universities.

**BRR: That's very good. But what about getting published in foreign journals?**

**SR:** We have submitted papers to foreign journals and we have been accepted as well. One of the research papers from the socioeconomic team has been accepted by an international journal. One of our energy team's papers has recently been submitted to a top energy journal abroad.

Since foreign journals take their time to accept papers, we cannot afford that our local stakeholders stay away from the research after we produce it. There is no point making the policymakers and public waiting. Therefore, our publication policy is that we first publish our work as working paper or as a quarterly or insights for local audience and after that, we send the selected papers for acceptance in international and quality national journals.

**BRR: What kind of research collaborations do you have with local universities?**

**SR:** We have not only signed MoUs with several universities, but we are also actively collaborating with several universities in Khyber Pakhtunkhwa, Punjab, Gilgit-Baltistan, Balochistan, Sindh and AJK. We are also working with

the Higher Education Commission (HEC), National Vocational & Technical Training Commission (NAVTC), Pakistan Industrial Technical Assistance Centre (PITAC) and few other public and private institutions. For instance, in collaboration with NAVTC, a database is under development for vocational demand and supply for CPEC. We would like that more Pakistani managers, engineers and labour get the opportunity to be employed in CPEC projects.

**BRR: So this NAVTC database will be like a CPEC job portal?**

**SR:** Certainly. We have noticed that the Chinese companies working in Pakistan need to have a better familiarity with the local labour market dynamics. A national-level portal can help these companies fill vacancies for both white-collar and blue-collar jobs. This can help bridge the gap in the market. This portal will be run by NAVTC for blue-collar jobs. The portal's beta-version is under process. I think it should be ready within a month, for in-house troubleshooting and discussion among Pakistani and Chinese stakeholders. Thereafter, a similar one could be established for white-collar jobs under the supervision of the HEC.

**BRR: Let's now turn to the thematic areas you identified earlier. In terms of human resource development, what does the center's research suggest about alignment between local labour-market dynamics and the labour requirements of CPEC projects?**

**SR:** Our research has looked at what happened in the last five years under CPEC. It shows that about 75,000 jobs have been created in the past five years on some 22 projects, out of which nine projects are complete. Our analysis shows that in the six road/transportation-related projects, 51,000 blue-collar jobs were created, out of which 48,000 were held by Pakistanis. In another study, concerning the Sahiwal Coal Power Project, we found that 220 Chinese engineers and managers were working in the operational

phase, alongside 190 Pakistani engineers and managers. These Pakistanis were also sent to China for training before they started their work in Pakistan.

The point is that Pakistan's labour has not been shut out of CPEC. The Chinese labour and employees are six to ten times more expensive than what you can hire in Pakistan. The security, traveling and lodging of the Chinese, all those things need extra money. The Chinese have the plan to replace Chinese workforce in CPEC with local people after training. The NAVTTC database can also be instrumental in this process by keeping an eye on the workforce demand originating under CPEC, in terms of skill-sets as well as locations.

**BRR: With reference to the need for export-led industrialisation, what does COE-CPEC research suggest on CPEC's potential impact on boosting Pakistan's export capacity and competitiveness?**

**SR:** Pakistan's existing industries need a lot of improvement to become export competitive. In my opinion, Pakistan has been caught by "diversification trap" for many years, which has limited our export sector to merely textiles, food, few minerals (mostly the raw materials), and too few recipients including US, China, EU and few others. It is a need of the day to curb this trap and expand the value-adding frontiers of different product sectors to a higher level of produce to be sold to new markets, especially to China, which is the second-largest global importer having \$1.3 trillion annual quantum.

Besides, there are a few processes which are limiting our exports and must be improved in collaboration with China. These include: market research & marketing, international business development, standards' compliance, branding & packaging, and logistics & transportation.

Pakistan has a lot of endowments in terms of raw materials; but its industries have been unable to transform them into competitive exports. Under CPEC-

related industrial cooperation, the thinking is to move Pakistani industries a step ahead in the global value chain. This will take place through joint-development of the Special Economic Zones (SEZ). China's successful SEZ development experience can really benefit Pakistan by enabling the SEZs to establish backward linkages with domestic small and medium enterprises (SMEs) and forward linkages with global markets.

However, proactive participation of Pakistani business community and entrepreneurs is must to come up with practical ways and means to get maximum benefits of the infrastructure development under CPEC and to make joint ventures with suitable Chinese enterprises to leverage diversification and boost exports.

**BRR: Has the center's research identified any specific sectors that Pakistan can develop under CPEC industrial cooperation?**

**SR:** Our research has picked out the labour-intensive, light-manufacturing sector as a promising area in which Pakistan has limited production capacity and hence imports a sizeable chunk of \$5 billion p.a. from China. This sector includes: valves and pumps, telephone and broadcasting equipment, trunks and cases, and rubber and plastic items. This sector is saturating in China due to labour becoming expensive there. Our research shows that China is going to re-locate this sector – in which China has exports of \$400 billion p.a. – to BRI countries, to continue exporting products into the Middle East, Africa and Europe. Pakistan is ideally located for this relocation of China's enterprises and global orders, thanks to Pakistan's raw material endowments, local skills in this segment, lower wages, and its proximity to Middle East, Africa and Europe.

In terms of China's imports, we see that its food imports are more than \$63 billion p.a. – out of which Pakistan has a share of less than \$1 billion p.a. One of the reasons is that Pakistani food producers and exporters do not completely understand the compliance requirements, certifications &

standards, branding and packaging demands of the Chinese market. Given that Pakistan has various agriculture and livestock endowments, local companies can liaise with Chinese companies and expand food exports to the Chinese market to reap the low-hanging fruit through exports.

**BRR: Moving onto regional connectivity under CPEC, can this north-south corridor expand east-west?**

**SR:** It is already planned that way. All the CPEC nodes within Pakistan can help Pakistan connect with regional countries. There is a link with China (through Khunjerab), several linkages with Central Asia (through Western alignment), potential connectivity with Iran (through Gwadar), and a maritime connection with the Middle East and Africa. All this connectivity will help the logistic and trade performance of Pakistan, China and region at large.

**BRR: What is the potential for socioeconomic spillover?**

**SR:** One of the core objectives in the CPEC Long-term Plan is to improve Pakistanis' livelihoods, especially in deprived areas. For that, connectivity is the key thing. Few of the projects that are completed on the CPEC Western alignment pass through some of the most remote areas. Thanks to completion along that alignment, growers and small businesses are now better connected to the main markets, which previously took a long time to travel to.

Similarly, energy projects in Thar have brought community development (schools and hospitals) and provided livelihood training to local people, including women. Chinese grant projects are also moving ahead to contribute to the social sector development under CPEC across the country including Gwadar. Concluding all, I would say that CPEC is an opportunity we have to tap and reap jointly with our "all-weather friend" China and for

that Pakistani nation has to think back and adhere to the sayings of our great Quaid Muhammad Ali Jinnah: "Unity", "Faith" and "Discipline".