

18th Asia Pacific Conference

Topic: CPEC Impact on Pakistan Economy



EHSAN UL KARIM

Ritsumeikan Asia Pacific University

Introduction

- ❖ China–Pakistan Economic Corridor (CPEC) is an economic route stretching from western China through Pakistan to the Indian Ocean coast. It is part of China's Belt and Road Initiative.
- ❖ It is a collection of infrastructure projects that are under construction throughout Pakistan since 2013. Originally valued at \$45 Billion, the value of CPEC projects is worth more than \$70 Billion as of 2020.
- ❖ CPEC is intended to rapidly upgrade Pakistan's infrastructure and strengthen its economy by the construction of modern transportation networks, numerous energy projects, and special economic zones.

- China continues to appear as a major regional and global power and has embarked upon numerous economic and political initiatives worldwide (Chin and Liu, 2017, Chin et al., 2016).
- Through CPEC China desire to a shorter and cost-effective route to Middle East Asia, Central Asia, Africa and the rest of the world. This will ultimately promote peoples' quality of life and will foster a pragmatic economic and trade cooperation. (Asian Development Bank, 2014).
- CPEC has very vast geo-strategic importance on many accounts, for example, it possesses great magnitude with respect to trade and commercial ties with Central Asia, Gulf States, and East African countries, United Arab Emirates, China and North Western India. Gwadar seaport will become a regional hub for major trade and commercial activities (Razi, 2013).

- CPEC is a wide-ranging set of supportive projects and initiatives, which covers main areas including connectivity, industrial parks and industries, agricultural development, information network infrastructure, connectivity, energy cooperation, tourism, poverty alleviation, livelihood improvement including municipal infrastructure as well as financial cooperation, public health, education, and people-to-people contacts by linking Kashgar with Gwadar through Gilgit-Baltistan and the other areas of Pakistan (Hussain, 2016).
- The CPEC has linkage of rail and roads measuring about 3000 kilometers, providing Pakistan its much-needed economic infrastructure, especially power-generation plants. Overall construction cost is expected about 45 billion US Dollar (Zhang and Shi, 2016) (Zhang and Shi, 2016) and the project expected to be completed by 2030. The completion of this project will not only open the Indian Ocean for China but it will also open the “new economic territory” for the whole world (Ibrar et al., 2016b, Ibrar et al., 2016a)

Literature Review

- CPEC will be fate and game-changer of Pakistan for its respective economies and regional connectivity and will increase mutual development. It is an optimistic and most welcomed project started to bring economic prosperity in Pakistan (Ibrar et al., 2017c, Ibrar et al., 2018d).
- Even though the issue of the CPEC has been a subject of discussion and debate nationally and internationally, the most dominating points were circled on the selection of the route (Shah, 2015) and the impact of such economic overtaking on the relationship between Pakistan and India (Ibrar et al., 2018e).

Methodology

The research is qualitative and based on both the primary and secondary data. Available and existing literature in forms of journals' articles, reports, editorials, electronic and print media coverage are critically evaluated to make the study more representative. This study is based on the evaluation of the economic development of CPEC on the local development of Pakistani society.

Prospective Benefit to Pakistan

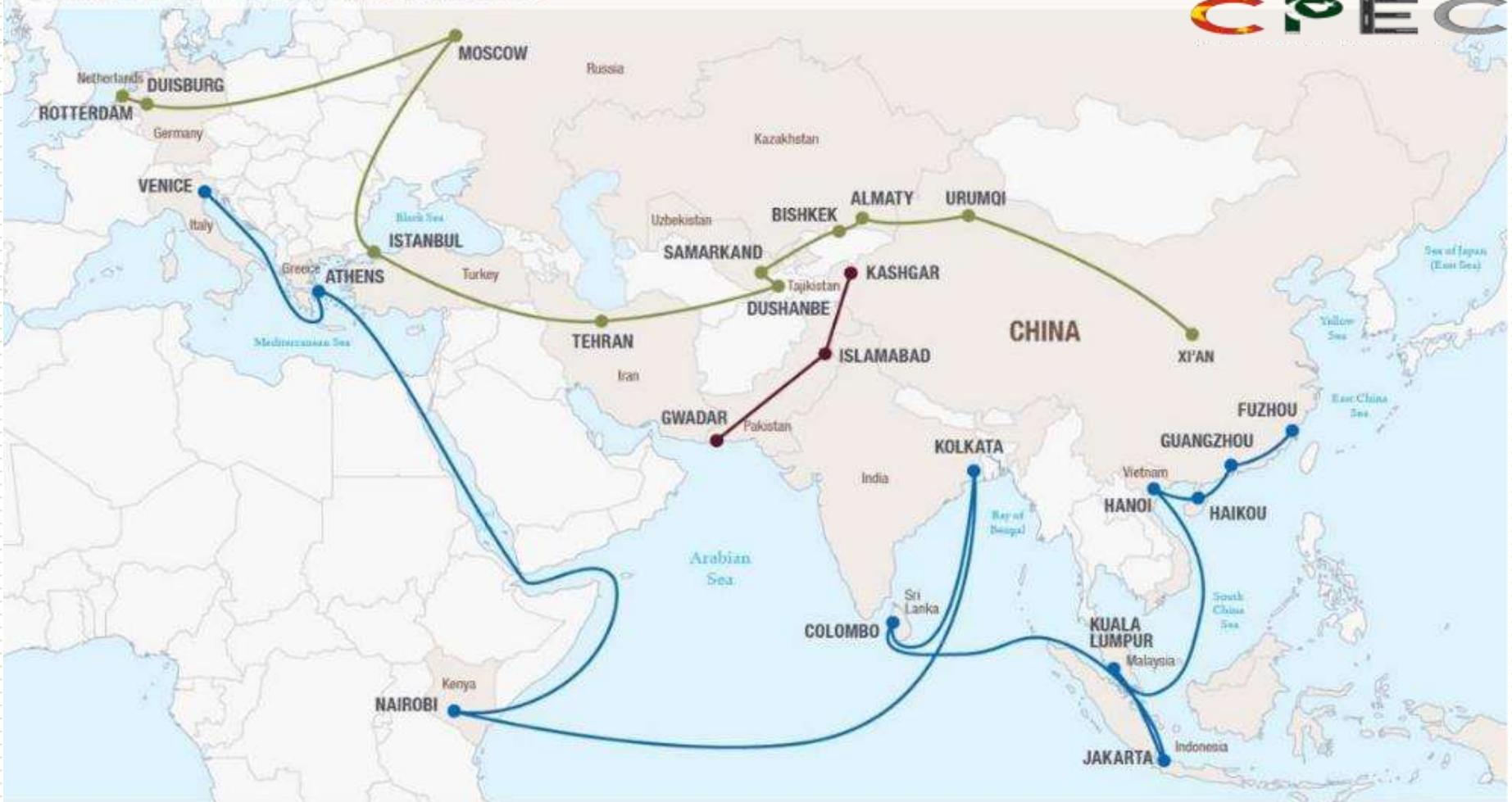
- Attracting foreign direct investment to boost economic growth, create jobs, enhance productivity, and increase exports.
- Major proportion of its funds to energy generation and Infrastructure development.
- Upgrade road and rail infrastructure to enhance regional connectivity and ground logistics efficiency.
- Chinese investment and expertise in industrial zones and through industrial zones producing higher value-added goods.
- Use CPEC as a demonstration effect, indicating to other investors that Pakistan is a safe and attractive destination for foreign direct investment.
- Develop the economically backward region of Balochistan and other cities.
- CPEC will provide **new avenues for investment** in business and trade in the areas of minerals, energy, power, communication, and other regional development programs.

- Cost-effective route to Middle East Asia, Central Asia, Africa and the rest of the world.
- Benefit for China under CPEC would be the decrease of China's trade way from existing sea route of 12,000 kilometers to 2,000 kilometers.
- The oil consignments from Gulf nations would be transported to China via Pakistan. Almost 80% of China's oil is currently transported from Strait of Malacca to Shinghai.

Strategic significance

CPEC is situated at the **junction of Silk Road Economic Belt**. Belt and Road Initiative' (BRI), will link Asia with Europe, Middle East, and Africa.

CHINA'S PROPOSED NEW SILK ROADS



—●— SILK ROAD ECONOMIC BELT —●— MARITIME SILK ROAD —●— CHINA-PAKISTAN ECONOMIC CORRIDOR

Source: Xinhua

Credits: James McBride, Julia Ro

COUNCIL on FOREIGN RELATIONS

Figure. 1 CPEC in the framework of OBOR. Source: <http://herald.dawn.com/news/1153597/cpec-the-devil-is-not-in-the-details>

Silk Roads

China plans to spend billions on infrastructure in Pakistan that would help open new trade routes.

Spending on projects

SECTOR	EST. COST, IN BILLIONS
Energy	\$33.79
Road	5.90
Rail	3.69
Mass transit in Lahore	1.60
Gwadar Port	0.66
China-Pakistan fiber optics	0.04
TOTAL	45.69*

150 miles

150 km

— Proposed road network

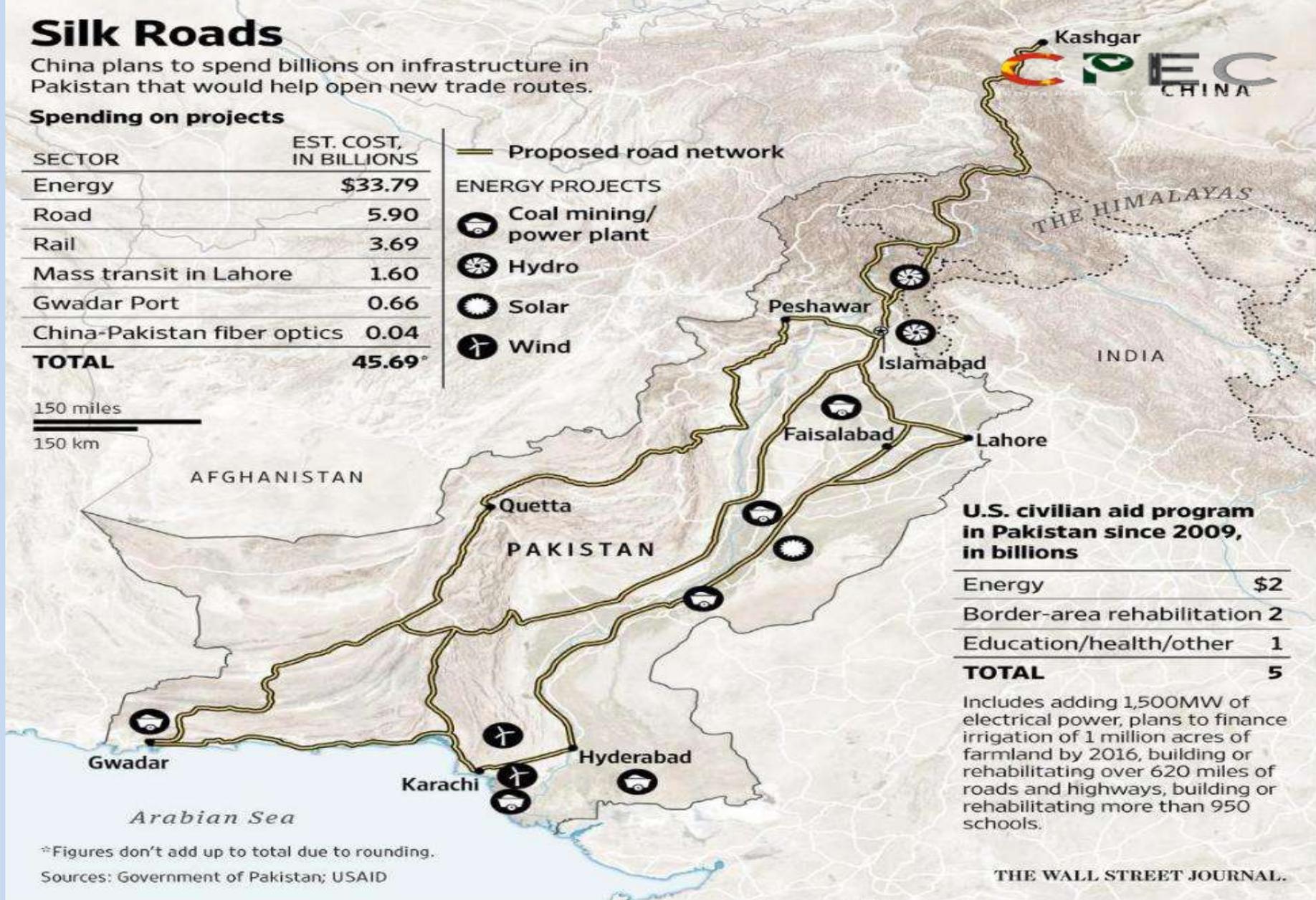
ENERGY PROJECTS

⚙️ Coal mining/
power plant

⚡ Hydro

☀️ Solar

🌪️ Wind



U.S. civilian aid program in Pakistan since 2009, in billions

Energy	\$2
Border-area rehabilitation	2
Education/health/other	1
TOTAL	5

Includes adding 1,500MW of electrical power, plans to finance irrigation of 1 million acres of farmland by 2016, building or rehabilitating over 620 miles of roads and highways, building or rehabilitating more than 950 schools.

*Figures don't add up to total due to rounding.

Sources: Government of Pakistan; USAID

THE WALL STREET JOURNAL.

Figure. 2 Internal map of CPEC with Projects Details. Source: <https://www.siasat.pk/forum/showthread.php?412555-CPEC-Map-and-details>



Similar to other large-scale economic breakthroughs, CPEC is full of challenges.

- The CPEC project will **support and strengthen both countries** in numerous sectors especially in terms of trade, business, infrastructure, energy, transport, as well as social sectors
- Challenge is related to the **lack of professional expertise**, project needs to hire massive manpower yet, and the lack of seriousness on part of any part could deter its implementation
- Due to its **geopolitical conditions**, the economic objectives of the projects might be challenged by both internal and external forces. Internal violence and terrorism to sabotage the projects.
- More Skill development programmes required.
- Security issues of the routes and Project completion.
- The **social and economic gains** of the corridor among the different regions, provinces, and the ethnic communities in Pakistan.

- The **administrative functions** related to bureaucracy, corruption, and nepotism are also the biggest internal challenges of Pakistan that can affect the project.
- CPEC project is **receiving huge criticism** and is hotly debated with respect to the **geographical location** of the route. Incidents such as the Balochi insurgency happened in 2004 as an opposition to the Gwadar port will have a negative impact on the completion and implementation of the project and on possible strategic changes of Beijing.
- The Pakistani **SMEs and entrepreneurs** need to be encouraged to communicate and interact with their Chinese counterparts through sponsorship and arrangement of joint visits to develop a mechanism for regular sharing of business needs, requirements and to discuss the mutual opportunities.

- China Pakistan Economic Corridor is a framework of **regional connectivity**. It will improve the lives of people of Pakistan and China by building an economic corridor promoting bilateral connectivity, construction, explore potential bilateral investment, economic and trade, logistics.
- Hub of **Regional economic activities** with Development of Gwadar port .
- **Political parties should play a constructive role** for the implementation of China Pakistan Economic Corridor.
- **Issues regarding routes** controversy must be resolve and political parties must play their pivotal role for collective benefits.
- **Federal and provincial governments** should create an environment of cohesion for better utilization of China Pakistan Economic Corridor.

- **Benefits from China Pakistan Economic Corridor** must be presented to the representatives of provinces.
- Federal government should take steps to elaborate the possible internal and external challenges for CPEC.
- Pakistan should make policies to ensure the economic benefit out of the mega-project.
- **Federal and provincial governments must provide a secure and safe environment** to all workers of China and other countries who are working for the construction of CPEC.
- **The government should work quickly on CPEC** so that there remains no space for terrorists and militants to create problems in the construction of CPEC project.
- Major share of revenues should be given to less developed provinces.

- Baloch-oriented **developmental projects** should be initiated in Balochistan.
- China should **Maintain non-interference in Pakistani politics**, avoid public involvement in intra-Pakistan political disputes even if they relate to CPEC, and abstain from public criticism of Pakistani political parties and leaders.
- China should **increase social expenditures and investment** in Pakistan, focusing on Balochistan and Gilgit-Baltistan.
- China should play role in **maintain good relation** with Pakistan neighbouring countries.
- COVID-19 situation should take measures with the help of China.

References:

- Asian Development Bank. (2014). "Developing economic corridors in South Asia", available at: <https://www.adb.org/publications>. (Accessed 27 April 2017).
- Chin, T. and Liu, R.-h. (2017), "Critical management issues in China's socio-economic transformation: Multiple scientific perspectives to strategy and innovation", *Chinese Management Studies*, Vol. 11 No. 1, pp. 12-18.
- Hussain, E. (2016), "China–Pakistan Economic Corridor: Will It Sustain Itself?", *Fudan Journal of the Humanities and Social Sciences*, pp. 1-15.
- Ibrar, M., Jianing Mi and Rafiq, M. (2016a), "China Pakistan Economic Corridor: Socio-Cultural Cooperation and Its Impact on Pakistan", in *5th EEM International Conference on Education Science and Social Science (EEM-ESSS 2016)*, Sydney, Australia, pp. 179–83.
- Ibrar, M., Mi, J., Karim, S., Laghari, A. A., Shaikh, S. M., & Kumar, V. (2018c). Improvement of Large-Vehicle Detection and Monitoring on CPEC Route. *3D Research*, 9(3), 45.
- Ibrar, M., Mi, J., Mumtaz, M., Rafiq, M., & Buriro, N. H. (2018d). The Importance of China-Pakistan Economic Corridor from Regional Development Perspective. Paper presented at the 31st International Business Information Management Association (IBIMA 2018), Milan, Italy.
- Ibrar, M., Mi, J., Mussawar, S., & Rafiq, M. (2017e). "Community Awareness about Family Planning Program in District Malakand, Pakistan. Paper presented at the The 30th International Business Information Management Association (IBIMA 2017), Madrid, Spain.