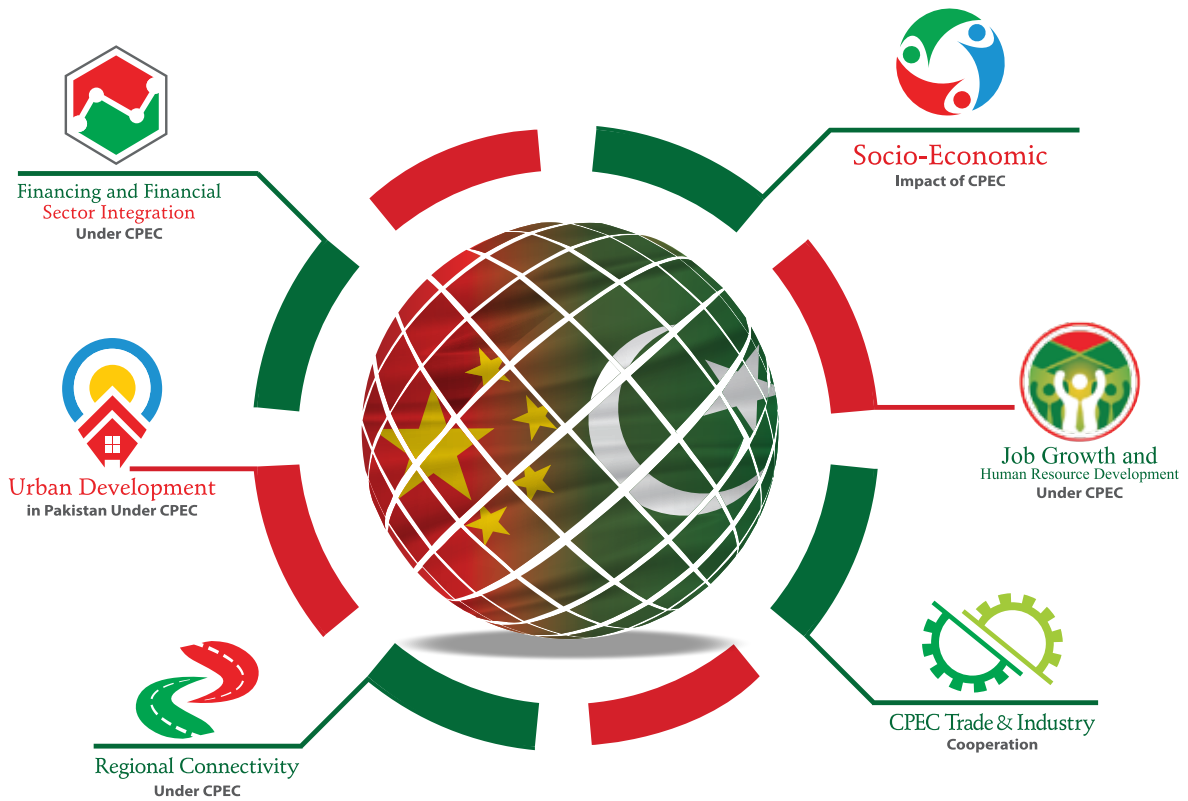




**CPEC
A GATEWAY
TO PROSPERITY**

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CENTRE OF EXCELLENCE

China-Pakistan Economic Corridor

CEC: A GATEWAY TO PROSPERITY

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It is an irrefutable reality that the relations between China and Pakistan are historic and time-tested, and the continuation of the projects under the China Pakistan Economic Corridor (CEC), as part of the Belt and Road Initiative (BRI), is a testament to an all-weather friendship. Our bilateral ties remain strong and backed by the principles of cooperation and incentives for the administrations and citizens of both countries. Hence, the intention behind writing this article is to bring

awareness to the masses on those areas of CEC which the government has signified for its extension. Since the CEC has now entered into the next phase of development to cultivate the socio-economic dividends of the country. Therefore, a thoughtful effort has been made under the chairmanship of the Minister for Planning, Development and Reform to make CEC a "Gateway to Prosperity". Accordingly, in the next phase of development six major "Doors of prosperity" would be focused which are: Trade & Market Access; Industrial

Development & Global Value Chains; Socioeconomic Development & Poverty Alleviation; Agriculture Modernization & Marketing; Gwadar Oil City & Blue Economy and; Regional Connectivity & Third Party Participation. The rest of the study will look upon these six doors of prosperity with a critical insight and recommendations.

1. Trade and Market Access

The variety of projects in the areas of trade and market access under CEC will originate a plethora of opportunities in different spheres of life. In this connection, collaborative bond with China will be the rich source of promoting trade, facilitating market access, elevating the standard of living and achieving sustainable inclusive growth in Pakistan. In addition, through CEC, Pakistan will be able to open its doors to the world by expanding its trade and transport links, as well as boosting economic influence across Central Asia, South

Asia, Middle East, Africa and Europe. In the past few years, the major chunk of the trade deficit of Pakistan developed from trade with China. Therefore, Special Economic Zones (SEZs)/Export Processing Zones (EPZs) under CEC need to be developed keeping in view the objectives of fast-track industrial growth and export promotion through diversified products. Furthermore, while developing SEZs/EPZs, due consideration may also be given to the fact that the exports could be boosted by ensuring value addition in existing exports

through manufacturing processes. China is the second largest economy in the world and is the leading exporter of the world with \$2.2 trillion and the second largest importer worth \$1.8 trillion. Pakistan is currently exporting goods and services worth \$1.5 billion to China which could be enhanced manifolds through cooperation between both the countries and an increased market access to the Chinese markets. In this regard, the China Pakistan Joint Chamber of Commerce and Industry could be instrumental.

2. Industrial Development and Global Value Chains

Under the fold of Industrial development and global value chains, the centre has proposed industrial cooperation and import substitution with China in various sections including food packaging and processing, agriculture, technology, iron and steel, marble and granite, textile and petrochemicals and light engineering sector supported by industrial relocation and investment of the Chinese industries and other investors (locals and diaspora). The

process is expected to increase export and create import substitution. Repositioning expansion of the IT sector through joint ventures along with the transfer of technology and capacity building will certainly drive up productivity graph. In a nutshell, under the industrial development and global value chains category, the next phase of CPEC will focus on the development, population and operations of CPEC's SEZs/EPZs. To better populate and then run

the SEZs/EPZs, right investment strategies in addition to right industrial mix in the zones will be ensured. Furthermore, process-specific incentives in each sector will be offered to improve the overall competitiveness of the industrial sectors. Finally, backward and forward linkages through urbanization, better management and incentives framework will be encouraged to expedite industrialization in the country.

3. Socio-economic Development and Poverty Alleviation

The socio-economic development and poverty alleviation are on the top of the agenda of the CPEC projects in the next phase of development. Pakistan highly acknowledges the importance of social sector development for the prosperity of the country. In this regard, a Joint Working Group is established under CPEC for socio-economic development and poverty alleviation, addressing issues such as housing, relocation of labour-intensive industries, skill training, off-grid solar household

solutions, job creation, clean drinking water, education, healthcare, forestry, technology transfer etc. It will further consolidate the bilateral relationship between the two countries under CPEC and enhance cooperation in socio-economic development and poverty alleviation in less developed areas of Pakistan (given below), as well as establish a mechanism of knowledge sharing and experience exchange through friendly cooperation between both the countries. During the next five

years, CPEC will focus on improving the basic public services for people of Pakistan, all-round cooperation through different CPEC projects would show a preference for local residents in employment, and the exchange and cooperation in different areas concerning people's livelihood would lead to the socio-economic development and poverty alleviation in Pakistan.

4. Agriculture Modernisation and Marketing

Agriculture is one of the key labour-intensive sectors of the economy. More than half of the population particularly the rural population depending upon the agriculture for livelihood thus contributing towards poverty alleviation. The sector contributes 19% to GDP and expected to double by 2030. Over the last years, a

noticeable growth of 3.81% has been witnessed that surpassed the targeted growth of 3.55%. It shares 20% in total exports and target is set to increase its share in total exports by 2.5% in the next five years. The sector absorbs 43% of labour force and providing livelihood to 64% of the rural population. Livestock

is the dominant sector as it contributes 59% in agriculture and shares 11.11% to GDP, whereas, crops, forestry and fishing performed well and witnessed a significant growth of 3.81%, 7.17% and 1.63% respectively. Availability of water resources, technologies, research and development, skills and access to national

and international markets are the key determinants of its success.

China and Pakistan, during the next phase, will give full play to their own comparative advantages to strengthen agricultural activities within the CPEC portfolio and would play their active roles in agricultural exchanges and cooperation to promote the systematic, large-scale, standardized and intensified the development of the agricultural sector.

Some of the recommendations in this regard include:

- Sharing of Remote Sensing Technologies for Land

Fragmentation, Land Consolidation and Land Zoning

- Joint research on Conventional and Genetically modified seed varieties

• Collaborative Development of Agro-Ecological Zones

- Jointly establish laboratories for testing, monitoring and management of crops, horticulture, livestock, aquaculture and poultry

• Encourage the Mutual Recognition Agreement (MRA) to boost trade

- Jointly establish Vocational Training Institutions to uplift Agriculture Sector Productivity

• Mutual Development of a Platform to conduct Trade dialogues on Agriculture Sector

- Co-Branding the Agro products and boosting the multi-lateral trade

• Establishment of Agriculture Machinery Production and Demonstration zones in the BRI countries

In addition, both China and Pakistan would promote the transition from traditional agriculture to modern agriculture in the areas along the CPEC to effectively boost the development of the local agricultural economy.

5. Gwadar Oil City and Blue Economy

Under the CPEC portfolio, Gwadar holds the key importance. The strategic focus on simultaneous development of Gwadar port and city — in the form of a new smart port city master plan — is primarily due to the natural and symbiotic relationship that exists between a port and the city that surrounds it; one cannot be developed without the other. Gwadar's planning is underway in order to lay the foundation for a sustainable regional and blue economy, drive local businesses, and increase port throughput. Gwadar has the potential to attract domestic and foreign investments in the region and develop it in an integrated regional manufacturing and energy hub/oil city. The strategies for Blue Economy in the context of Gwadar will be adopted

during the next five years to promote activities in coastal areas of Gwadar. Efforts would be made for sustainable fisheries initiatives and to harness ocean and coastal-related resources like building fish stocks, enhancing fishing capacities, and implementing the controlled harvest mechanisms. Innovative methodologies would be used for expansion in eco-friendly services in Gwadar and at other coastal areas of Pakistan. The next phase of development under CPEC will address the potentials and key issues related to the energy potential, blue economy and to maximize the gains. In addition, during the next phase, the blue economy concepts would be governed by processes that are based on: mutual trust and respect, inclusiveness, allows equitable sharing of

mutual benefits, marked by stakeholder participation; scientifically sound information; accountable and transparent; holistic and cross-sectoral; and innovative and proactive. Active cooperation and partnerships would be ensured within and amongst public and private sectors to steer the concept of blue economy in Gwadar with special recognition of the needs of the local people, and in line with existing international, regional and national commitments. One-third of the petroleum imports of Pakistan are in the form of refined oil, which is substituted with the crude oil could save around \$3-3.5 billion a year for which a couple of oil refineries would be required to be established in Gwadar.

6. Regional Connectivity and Third Party Participation

During the next phase, the focus will also be on CPEC infrastructure towards connectivity improvement, analysis of the alternative optimal routes for the entire region through Gwadar port, and exploring the feasible connections among Central Asia, Middle East, Africa and Europe. Importance of regional connectivity through the construction of rail/road infrastructure together with

energy projects are well understood.

Moreover, the optimum benefits from the CPEC projects could be attained by ensuring the third-party participation in these projects, particularly of those countries/parties who could possibly be potential beneficiaries of the BRI. Such an initiative will not only increase the acceptability of the CPEC as an integral part

of BRI but would also hinder possible attempts of cracks in future. The probable modes of third-country involvement may include, (i) consortium countries, (ii) firms, (iii) international financial institutions, and (iv) international development banks participating in specialized funds generated for infrastructure development and development of Special SEZs/ EPZs.

Conclusion

Trade and Marketing Access, Industrial development and Global Value Chains, Socio-economic Development & Poverty Alleviation, Agriculture Modernization & marketing, Gwadar Oil City & Blue Economy, Regional Connectivity and Third Country Participation are key areas of mutual cooperation and would help to

expand CPEC in the right direction during the next phase. Increased level of all these outcomes will converge to higher development, the accelerated growth rate in economies of both the countries coupled with contributions to the development of the region and contiguous states. This will result in thousands of new ventures and

millions of jobs in every part of the country. Through CPEC, Pakistan will be able to open its doors to the world by expanding its trade and transport links, as well as boosting economic influence across Central Asia, South Asia, Middle East, Africa and Europe.