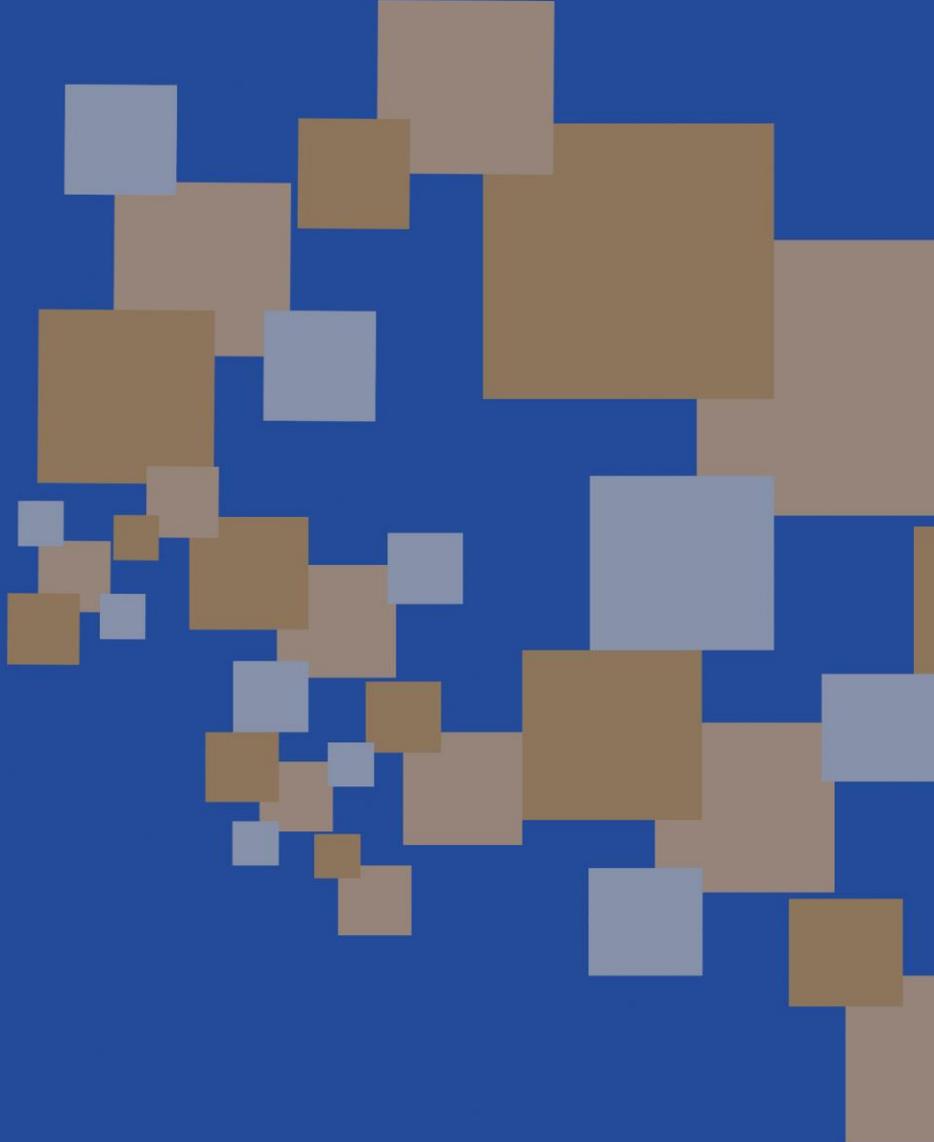


NATIONAL CONFERENCE REPORT

PAKISTAN-CHINA ECONOMIC COOPERATION: NEXT LEVEL



CHINA-PAKISTAN STUDY CENTRE
INSTITUTE OF STRATEGIC STUDIES ISLAMABAD





National Conference Report

Pakistan-China Economic Cooperation: Next Level

March 06, 2019

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Institute of Strategic Studies Islamabad**

The Institute of Strategic Studies Islamabad

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The Institute of Strategic Studies was founded in 1973. It is a non-profit, autonomous research and analysis organization, designed for promoting an informed public understanding of strategic and related issues, affecting international and regional security.

In addition to publishing a quarterly journal and a monograph series, the ISSI organises talks, workshops, seminars and conferences on strategic and allied disciplines and issues.

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NATIONAL CONFERENCE PROGRAMME

Inaugural Session

- 0930 hrs Registration
- 1000 hrs Recitation from the Holy Quran
- 1005 hrs Welcome and Introductory Remarks - Ambassador Aizaz Ahmad Chaudhry, *Director General, ISSI*
- 1010 hrs Keynote Speaker – H. E. Mr. Yao Jing, *Ambassador, People’s Republic of China*
- 1020 hrs Address by Chief Guest - **H. E. Makhdoom Shah Mahmood Qureshi**, *Federal Minister for Foreign Affairs*
- 1040 hrs Tea/Coffee Break

Session 1: Next Level of Economic Cooperation

- 1100 hrs Session-I starts
- Chair:** **Dr. Safdar Sohail**, *DG, National Institute of Management*
- 1110 hrs Special Economic Zones: Opportunities and Challenges
Dr. Fazal-ur-Rehman, *University of Sargodha*
- 1120 hrs Reviewing Pakistan-China Bilateral Trade: Opportunities and Challenges
Dr. Nadia Farooq, *Asian Development Bank*
- 1130 hrs CPEC: Progress and Prospects
Mr. Yasir Masood, *CPEC Centre of Excellence, Islamabad*
- 1140 hrs Gwadar Port and Prospects of Blue Economy
Mr. Muhammad Abbas Hassan, *ISSI*

- 1130 hrs Q&A
- 1150 hrs Concluding Remarks by the Chair

**Session 2:
Leveraging regional Connectivity for Development**

- 1230 hrs Session-II starts
- Chair: Muhammad Zubair Ghori, Former Member Planning Commission**
- 1240 hrs: Regional Connectivity: Imperative for Economic Development
Dr. Huma Baqai, *Institute of Business Administration, Karachi*
- 1250 hrs: CPEC Extension to Third Countries
Dr. Zahid Anwar, *University of Peshawar*
- 1300 hrs CPEC and Regional Integration
Imran Shaukat,
- 1310 hrs CPEC and Social Structure of the Region
Dr. Fida Mohammad Bazai, *University of Balochistan, Quetta*
- 1320 hrs Q&A
- 1350 hrs Concluding Remarks by the Chair
- 1355-1455 hrs Lunch Break

**Session 3:
Challenges to Trilateral Cooperation and the
Way Forward**

- 1500 hrs Session - III starts
- Chair: Lt. Gen (R) Abdul Qayyum, Member of Senate of Pakistan**
- 1510 hrs CPEC: Politico-Economic Benefits and Challenges for Pakistan
Dr. Khalid Manzoor Butt, *Government College University, Lahore*

- 1520 hrs Socio-Economic Impact of Hydro Power Projects on Economy of Pakistan
Dr. Samina Sabir, *Azad Jammu & Kashmir University*
- 1530 hrs Tourism Potential vis-à-vis CPEC: A Case of Gilgit-Baltistan
Dr. Saranjam Baig, *Karakorum International University*
- 1540 hrs Poverty Alleviation: Learning from Chinese Experience
Syed Tanvir Abbas Jafri, *COMSATS University, Islamabad*
- 1550 hrs Q&A
- 1625 hrs Concluding Remarks by the Chair
- 1635 hrs Vote of Thanks by Ambassador Khalid Mahmood, Chairman BoG, ISSI
- 1640 hrs Tea/ Coffee

CONCEPT NOTE

Pakistan and China are time-tested friends. Bilateral relations are multi-faceted, with a growing economic component. With the advent of the new government in Pakistan, the relationship has assumed deeper focus on industrial cooperation and socio-economic development agenda. In the wake of Prime Minister Imran Khan's recent visit to China, both governments agreed to explore identified areas of cooperation alongside China Pakistan Economic Corridor (CPEC) framework. The socio-economic development envisioned under the new areas of cooperation would be directed towards areas of agriculture, education, health, poverty alleviation, safe drinking water, vocational training, boosting Pakistan's industrial capacity and expanding the export base. Indeed, this development agenda has taken bilateral economic cooperation to the next higher level and made CPEC more comprehensive and befitting for Pakistan's development needs.

The emphasis on socio-economic development cooperation between Pakistan and China is consistent with the national priorities laid down by the present government in Pakistan. Poverty alleviation and socio-economic uplift of the people is now at the centre of national development strategy, with special emphasis on the country's less developed regions.

A national conference was, therefore, proposed as a one-day event on March 6, 2019, with the objective of generating ideas and suggestions in pursuit of the socio-economic development agenda agreed upon by the leadership of Pakistan and China. The Foreign Minister of Pakistan kindly consented to inaugurate the Conference. Participants were invited from across the country, including representatives of various China-focused institutes and centres. The Conference was a public event, and its outcome was in the form of concrete suggestions and recommendations for policy makers and stakeholders.

WELCOME REMARKS

Ambassador Aizaz Ahmad Chaudhry
Director General, Institute of Strategic Studies Islamabad

Honourable Shah Mahmood Qureshi, Foreign Minister of Pakistan
Commercial Counsellor of the Embassy of the People's Republic of China to
Pakistan, Dr. Wang Zhihua
Chairman Board of Governors, Ambassador Khalid Mahmood
Worthy Speakers
Ladies and Gentlemen

May I extend to you all a warm welcome to the Institute of Strategic Studies.

I would especially welcome our dynamic Foreign Minister who has led our foreign policy agenda so admirably well that he is drawing huge compliments from all across the country.

I have had the personal privilege of working with the honourable Foreign Minister in his earlier stint from 2008 to 2011. I have always found him to be hardworking, clear-headed, and articulate.

Pakistan is fortunate to have him today as our top diplomat. The way he has handled the latest crisis for Pakistan posed by Modi's India has earned him and indeed our respected Prime Minister Imran Khan laurel from Pakistani citizens and the International community.

Our foreign policy resonates what our Quaid Mohammad Ali Jinnah advised us in 1947: Peace within and peace without.

Chairman and I would also like to thank the Foreign Minister for his special attention and patronage to the work of this Institute. His two visits here reflect the importance that he attaches to what we do in terms of providing inputs to the Foreign Ministry. We hope that you would find our work useful for the foreign policy objectives of Pakistan.

Ambassador Yao Jing was all confirmed to attend today's meeting. An important delegation from China is visiting Pakistan and as we speak talks are being held in Foreign Ministry with Foreign Secretary. Ambassador Yao has sent his representative. The China-Pakistan Study Centre (CPSC) housed in this Institute is a joint program of the Chinese embassy and the Institute. Mr Ambassador and his team are collaborating with us closely as we seek to vitalize the role of this Centre in bringing greater understanding between our two countries and peoples.

Here it would be a remiss if I do not recognize the sterling leadership that the Director of CPSC, Dr. Talat Shabbir is providing to vitalize the activities of the Centre. Besides today's Conference, we are bringing together tomorrow all the China Centres of the country in a Roundtable. Through this, we are seeking to promote relations with our important northern neighbour China. We have also launched quarterly magazine called PIVOT. I thank Dr. Shabbir and his team for all these efforts.

Ladies and Gentlemen,

Pakistan and China share an enviable history of all-weather friendship. Whether it was Cold War, Post-Cold War globalization, Post 9/11 US-led global war on terror, or the recent return of major powers competition, China and Pakistan have always stood together. We can certainly take pride in the unique consensus that we have achieved through the decades.

The economic component of our bilateral strategic relationship has lately assumed a higher substance. The China-Pakistan Economic Corridor (CPEC) is the cornerstone of the current phase of cooperation. We have so far done well. However, there is an emerging consensus that we need to further enhance the level of our economic cooperation.

A welcome opportunity arose when Prime Minister Imran Khan visited China recently and held talks with President Xi Jinping and other Chinese leaders. Both governments agreed to explore additional areas alongside CPEC framework.

This agreed development agenda has taken our bilateral economic cooperation to a new level. This has made CPEC more comprehensive and befitting for Pakistan's development needs.

It is in this backdrop that today's National Conference titled "**Pakistan-China Economic Cooperation: Next Level**" was conceived. Our objective is to generate ideas and suggestions in pursuit of the socio-economic development agenda agreed upon by the leadership of Pakistan and China.

Participants have been invited from universities in all provinces of Pakistan as well as representatives of various China-focused institutes and centres. That the Foreign Minister himself has come to inaugurate this event signifies the importance this government attaches to taking the bilateral cooperation with China to the next higher level, and to that end seeking inputs from all walks of our society.

The Conference is a public event, and its outcome would be in the form of actionable suggestions and recommendations for policy makers and stakeholders.

In the end I would again express my gratitude to all the participants and guests especially our chief guest, the honourable Foreign Minister. I hope that the Conference sessions would enrich us all with a deeper understanding of this important subject.

INAUGURAL ADDRESS

Keynote Speaker

Dr. Wang Zhihua

Commercial Counsellor of the Embassy of the People's Republic of China to Pakistan

Honourable Shah Mahmood Qureshi, Federal Minister for Foreign Affairs,
Honourable Aizaz Ahmad Chaudhry, Director General, Institute of Strategic Studies
Islamabad,
Distinguished Guests,
Ladies and Gentlemen,

Asalam-o-alaikum and a very good morning to you all!

It's my honor to attend the Inaugural Session of the National Conference on Pakistan-China Economic Cooperation: Next Level. On behalf of H. E. Mr. Yao Jing, Ambassador of Chinese Embassy in Pakistan, I would like to extend my warmest regards to such a professional conference and to all the friends who are extremely keen on Pakistan-China Economic Cooperation. I would like to express thanks to all the outstanding think tanks like ISSI for your kind attention and advisable suggestions and contributions to China-Pakistan economic and trade cooperation.

To begin with, I would like to give some briefing on the Pakistan-China economic cooperation. As we are all aware that China and Pakistan enjoy an all-weather strategic cooperation partnership, which is unique and unparalleled among all our foreign relations. I am happy to inform you that China has been Pakistan's largest trading partner for four consecutive years, being the largest importer and third largest export destination, and China is also the largest source of Pakistan's FDI for the consecutive 5 years. Bilateral economic cooperation experienced a fast track of development, especially since the successful state visit of President Xi Jinping to Pakistan in 2015. I would also like to introduce some basic facts of China-Pakistan Economic Corridor, one of the most important part of China's Belt and Road Initiative. We all know that "CPEC" has been a buzzword throughout the whole

nation these days. I am glad to inform you that the first phase of CPEC, with the joint efforts of both countries and friends, has gone through a smooth and fast development and generated a lot of outcomes. In the past five years, we have made 23 projects, some are under construction or completed within the framework of CPEC, with the worth of \$19 billion. These projects covered ports, energy, transport infrastructure and industrial cooperation. CPEC has created 70,000 direct jobs for local people and it is estimated that the job opportunities made by CPEC would surpass 700,000 by the year 2030.

Ladies and Gentlemen,

The growth momentum of the China-Pakistan Strategic Cooperative Partnership has become more and more powerful. With the leadership of the Prime Minister Imran Khan, the entire governance system is well on the track of economic growth. During the Prime Minister Imran Khan's visit to China last November, our two Governments issued the Joint Statement of "Build on the China-Pakistan All Weather Strategic Cooperative Partnership and the China-Pakistan Community of Shared Future" and we have reached many consensus on various fields of cooperation. On the eighth meeting of joint Cooperation Committee of CPEC, our two sides have decided to move CPEC into the next strengthening and enhancing phase. On the next Level of Pakistan-China Economic Cooperation, I, herewith, would like to share some opinions with our friends.

Firstly, social economic sector cooperation like agriculture, education, health, poverty alleviation, safe drinking water and vocational training shall be the next major focus of CPEC. The Chinese Delegation of Social Economic Group under CPEC is now visiting Pakistan and scheduled to visit Balochistan, Sindh and Punjab with deep footprint of nearly most part of Pakistan. They will stay at Pakistan for three weeks to conduct thorough and deep analysis of Pakistani needs and the cooperative potentials.

Secondly, industrial cooperation and attracting more FDI from China will become more and more important and integrated into the China-Pakistan Economic

Cooperation. Special Economic Zones(SEZs) have been constructed in different part of Pakistan and some of them are going smoothly and within the mature operation conditions. We are expecting, with the attractive preferential policy of the SEZs, more and more Chinese major enterprises will come to Pakistan and build Joint Ventures with local partners. This, I believe, will introduce Chinese advanced technique and management experience to Pakistan.

Thirdly, China is pushing forward expanding more and more close trade relations with Pakistan. Bilateral trade is highly complementary and expect huge potential for strengthening cooperation. At the same time, China and Pakistan are also working together to explore more and more market access for Pakistani agro-products to enter Chinese big market. Various grand exhibitions like Cotton Fair, Shanghai Import Expo, Southern Asian Expo and etc. are taking place in China every year. We will promote more Pakistani business delegations to explore such immense opportunities in China.

Ladies and Gentlemen,

With the deepening of China-Pakistan economic cooperation, next level of our bilateral relations will not only benefit our two countries and our people, but also benefit the development of the whole region. Chinese Embassy will continuously keep close contact and collaborate with ISSI, and I do believe that, with our joint efforts, the time-tested China-Pakistan all-weather friendship will have an even bright future. Together we will build a community of common development and a community of common prosperity, and then a China-Pakistan “community of shared destiny” will be forged.

Thank you!

INAUGURAL ADDRESS

Statement by the Chief Guest

H.E. Makhdoom Shah Mahmood Qureshi

Federal Minister for Foreign Affairs, Government of Pakistan

Chairman Institute's Board of Governors, Ambassador Khalid Mahmood
Your Excellency Mr. Yao Jing, Ambassador of the People's Republic of China
Director General, Ambassador Aizaz Ahmad Chaudhry

Distinguished Speakers and Guests,

Asalam-o-alaikum and Good Morning!

I wish to express my gratitude to the Institute of Strategic Studies for inviting me to inaugurate today's National Conference, on a subject that is high on the development agenda of our government.

I understand that the re-vitalized China-Pakistan Study Centre of the Institute is engaged in a series of activities to deepen our partnership with China. We, in the Ministry, would welcome your constructive ideas for promoting tangible economic cooperation between Pakistan and China.

Let me also underscore the importance of the work being done by this Institute. Your policy inputs to the Foreign Ministry are deeply valued. As indicated by the Director General, I have visited this Institute twice to signify the expectation of the Ministry to receive quality inputs and advice from our researchers and scholars.

Ladies and Gentlemen,

Before I speak about the subject of this Conference, let me share with you my deep sense of satisfaction at the mature manner in which the nation of Pakistan has responded to the recent challenge posed by our eastern neighbour following the Pulwama incident. Prime Minister Imran Khan and I are fully committed to conducting our foreign policy with honour, dignity, and in the best national interest

of Pakistan. This is what the people of Pakistan aspire. And this is what we would do. And in this context, our researchers and think tank community also have a responsibility. Your ideas and inputs would strengthen the hands of the leadership of PTI in conducting our foreign policy according to the aspirations of the people of Pakistan.

Ladies and Gentlemen,

China is not only Pakistan's neighbour, it is a good friend and what President Xi calls "iron brother". Our friendship is premised on shared values and interests. We in Pakistan regard this relationship as a central component of Pakistan's foreign policy.

The close relationship between Pakistan and China is a positive factor for political stability of the region. Together, we are successfully countering forces opposed to regional peace and harmony. In the post Pulwama crisis too, the Chinese leadership presented a sound advice for India and Pakistan to engage in a dialogue and resolve their disputes through peaceful means.

From politics and diplomacy to economy and defence, the two countries are finding newer, impactful and progressive ways to ensure prosperity of our peoples.

Ladies and Gentlemen,

In the recent years, the China-Pakistan Economic Corridor (CPEC) has infused greater depth to our relationship with China. CPEC reflects the collective desire of both countries to usher our region into an era of shared prosperity.

The leadership of the two countries is now looking at what I would call CPEC plus. Prime Minister Imran Khan's successful visit to China last year broke new grounds. Our two countries identified a new vision, a new development agenda that takes our economic cooperation to a whole new level of engagement.

This vision is rooted in our conviction to pursue a people-centred approach. We wish to expand our cooperation to areas such as science and technology, agriculture,

social sector cooperation, blue economy, people to people and cultural linkages, and finding mutually beneficial ways of boosting Pakistan's industrial capacity along with broadening our export base.

Undoubtedly, this leap forward is in accord with the government's commitment to place Pakistan on the path of genuine and corruption-free progress and prosperity. In fact, taking CPEC plus as an impetus, other countries are also now investing in Pakistan. The Saudi Crown Prince's successful visit last month is a testament to this growing international confidence in Pakistan.

Ladies and Gentlemen,

The new government inherited a difficult economic situation. Now, under the direction of Prime Minister Imran Khan, the Government of Pakistan has embarked on a set of policies, through which we are seeking collaborative arrangements with our foreign partners and bolstering confidence of domestic investors. Indeed, these measures will pay dividends in the years ahead and pave way for Pakistan to reach its true potential. We are determined and confident of our success, Insha'Allah. As Quaid e Azam advised us "With faith, discipline and selfless devotion to duty, there is nothing worthwhile that you cannot achieve."

Dialogue and exchange of views are imperative to address the challenges and opportunities that stand in our way. I am pleased to note that scholars from reputed universities from all provinces are participating in this National Conference. I am further delighted that China-focused institutes from across the country are also attending this event.

We welcome effective platforms, such as this Conference, where young minds, thinkers and scholars come together to interact and produce constructive ideas. I wish the Institute and the participants success and look forward to receiving the outcome of your deliberations.

Thank You!

Session 1

NEXT LEVEL OF ECONOMIC COOPERATION



The session was chaired by the DG National Institute of Management Dr. Safdar Sohail

The speakers in the session included: Dr. Fazal-ur-Rehman, *University of Sargodha*; Dr. Nadia Farooq, *Asian Development Bank*; Mr. Yasir Masood, *CPEC Centre of Excellence, Islamabad*; and Mr. Muhammad Abbas Hassan, *ISSI*.

PRESENTATION

Dr. Fazal-ur-Rehman

Director Pakistan Institute of China Studies, University of Sargodha

Special Economic Zones: Opportunities and Challenges

Special Economic Zones (SEZs) are considered all around the world as vehicle for increasing productivity, enhancing exports and integrating domestic industry for economic growth. In the case of Pakistan and especially with reference to CPEC, we have been experimenting in establishing Export Promotion Zones and SEZs but have not been very successful. As one of the four pillars of CPEC, Industrial Cooperation within the framework of CPEC remained a low priority area both for Pakistan and China. No concerted efforts were made by either side to initiate a concrete plan for establishing SEZs as it takes seven to ten years for the construction and operationalisation of a SEZs. Now more than five years have passed since launch of CPEC and we still have not been able to lay solid foundation of even a single SEZ.

The current government at the moment seems very much interested in pushing for speedy work on the SEZs. Why were SEZs not given priority in the past five years? The reasons that come to one's mind are lack of experience in this field and the lack of capacity to undertake such tasks independently besides the political will. Building SEZs is a specialized field and takes special skills and considerations such as determining the location based on advantages, availability of finances and human resource besides incentives for investors. There are certain conditions. In Shenzhen, there is a dedicated think tank within the Shenzhen University which is specializing on construction of SEZs. In our meetings with the head and other members of the Centre in China and Pakistan in connection with studying economic zones they have identified a number of factors which eventually would determine the success of an economic zone. I have not come across any official in Pakistan or the discourse in public domain highlighting those issues. It is to be remembered that in China and in so many other countries all the economic zones have not met success though the

reasons of their failure were different and we had several discussions with them on the issue. One of the most important steps is to undertake thorough research, prepare comprehensive feasibility and create an appropriate framework under which the economic zone has to function.

In case of Pakistan, unfortunately the tradition is that we talk much about the potential of possibilities and hardly without giving a roadmap as how to transform the potential into reality and what would it take to do so. Similarly, in terms of establishing SEZs we have been talking a lot about the potential and what economic benefits these will bring to the country without conducting adequate data-based research, preparing comprehensive feasibilities and implementing strategy.

Now there has been a lot of activity seen because of renewed interest in construction of these SEZs especially since 2016. It is commonly believed that in case of Pakistan SEZs have huge potential and if proper homework is done success can be achieved.

One has to be mindful of the fact that failure of any SEZs will cast a negative shadow over the prospects of establishing future economic zones.

We began discussing SEZs in the early harvest stage as 29 zones then these were scaled down to 19 and now we plan to build nine zones and out of these only two or three are expected to be materialized in real term. The remaining will take a long time before work could be started and will also depend on the successful completion of the first three or four zones. While the location of nine SEZs has been identified, it is a known fact that the basis of selection of location is political and not based on the technical viability. The criterion required for selection of location and the industry to be installed there has been grossly ignoring the other factors essential for making an economic zone successful.

What kind of challenges are we facing now in terms of establishing SEZs? There are actually several. One of the major challenges for us is creating required infrastructure in and around SEZs. We may allocate land and put up some industries

there, but as long as there is no auxiliary infrastructure around that SEZ the chances of its success will remain very limited.

So we need to focus on several issues and the important ones in those are relevance of the industry that we intend to place in a certain area. For example, we should not try to allocate zones and industry based on political expediency but rather we should go by the basis of its viability and sustainability. We must take into consideration the inherent advantages for setting up these zones in specific areas and try to aim for establishing high-end industry rather adding to what has already been produced in the country.

Now all the three SEZs agreed to by the Chinese side are focusing on low-tech industry and covers industries like food processing, packaging, processing of agricultural produce, pharmaceutical companies etc. There is a need to develop innovative concepts and create diversity in our exportable produce by making use of the SEZs. If we remain unable to diversify our exportable items, then these zones may not help us in enhancing our exports.

Similarly, we need to link up the SEZs with the back-end industry in the country. In view of the existing state of affairs of industry we have to work out a comprehensive strategy where SEZs have to be linked-up with our overall Industrial structure and long term economic plans. Moreover, if we are able to move towards high-end industrial production then most skilled labor from existing industries will move towards better opportunities in the economic zones causing a human resource vacuum in our industry which may again nullify the benefits incurred through the SEZs.

So there is a host of issue for us to tackle, for example the labor laws; what kind of labor laws will be implemented into these SEZs; what will be the rights, obligations and pay structure of the local labor force as compared to their foreign counter parts? These are some of the issues that need serious academic deliberations.

The most viable and priority SEZ mentioned by the authorities was Rashakai and still the infrastructure there is non-existent. The kind of industry planned to be put up there is not clearly known. There are six or seven industries mentioned by the authorities that also include textile whereas it is not a cotton producing area. So how can we develop a textile industry in an area which is far away from raw material producing regions?

Another issue is the relocation of the labor intensive industry China is looking to shifting to Pakistan. We are not sure about what type of industries will be relocated from China but the key question which is important is that would those industries be relevant to our own larger economic plans? Last but not the least, no feasibility study of any of the SEZs is available in public domain for academic scrutiny.

PRESENTATION

Dr. Nadia Farooq

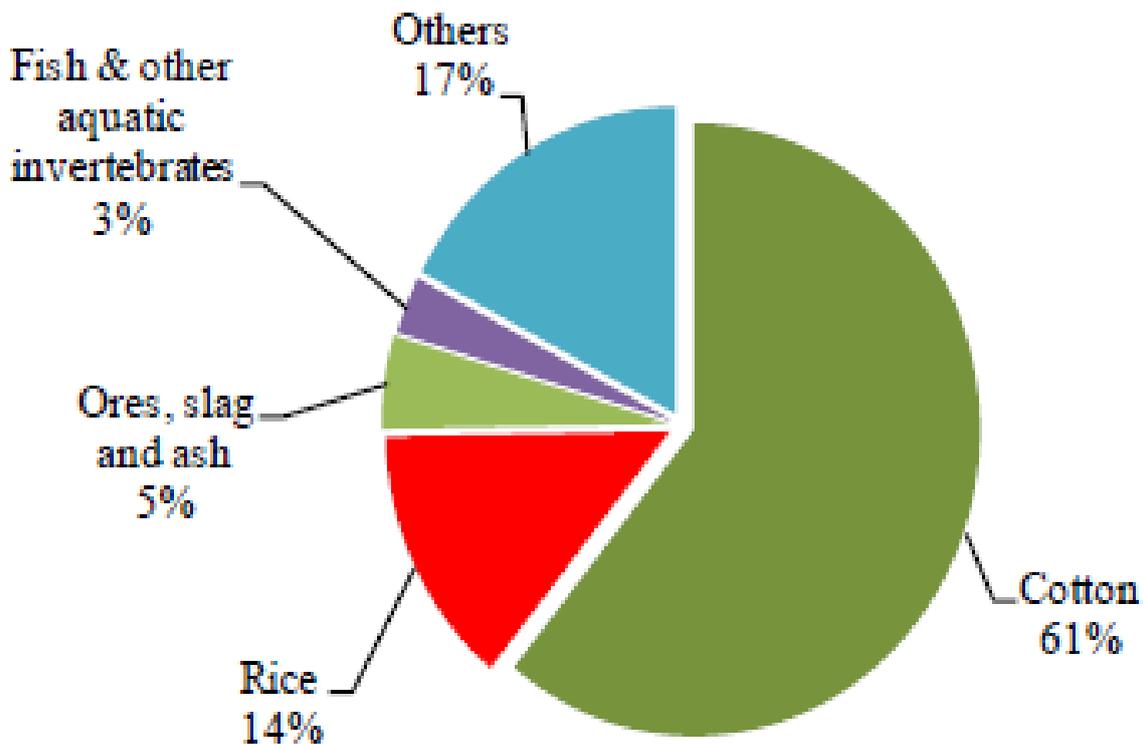
Economic Consultant at Asian Development Bank (ADB)

Reviewing Pakistan-China Bilateral Trade: Opportunities and Challenges

Good morning and Assalamualikum,

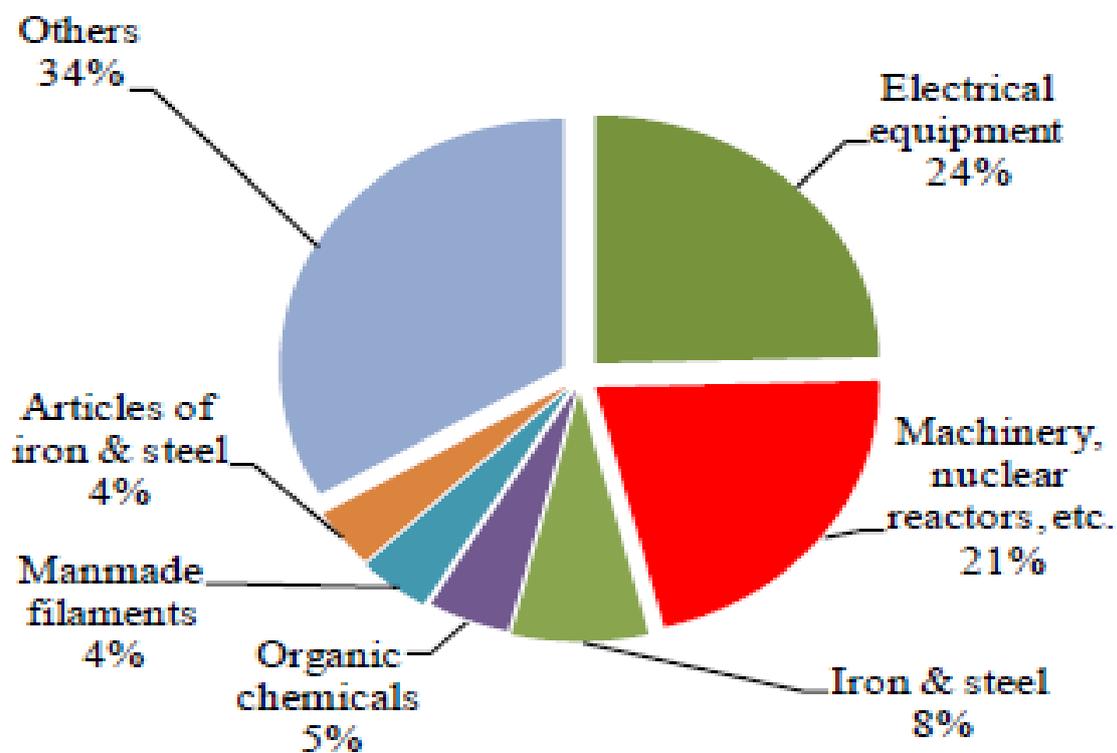
First of all, I would like to thank the Institute of Strategic Studies Islamabad (ISSI) for inviting me to talk about an important subject. My topic today is “*Reviewing Pakistan-China Bilateral Trade: Opportunities and Challenges*”. I will be more focused on challenges and way forward in the CPEC led economic relationship between the two countries. First I want to show you the slide on major exports to China from Pakistan.

Major exports to China (2016)



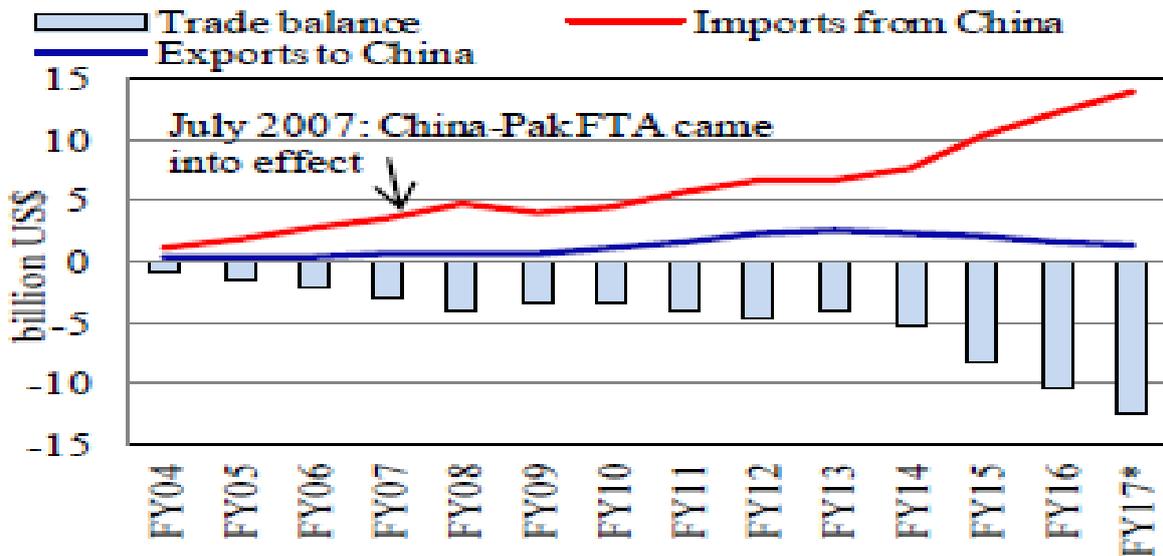
61% of these exports are based on cotton, then rice and then other few small items but major part is focused on cotton and rice. While major imports from China are electrical equipment, machinery, chemicals and so on. So by looking at these two pictures we can easily analyse that our exports are based on agricultural products while our imports from China are mainly innovative items.

Pakistan's Major Imports from China (2016)

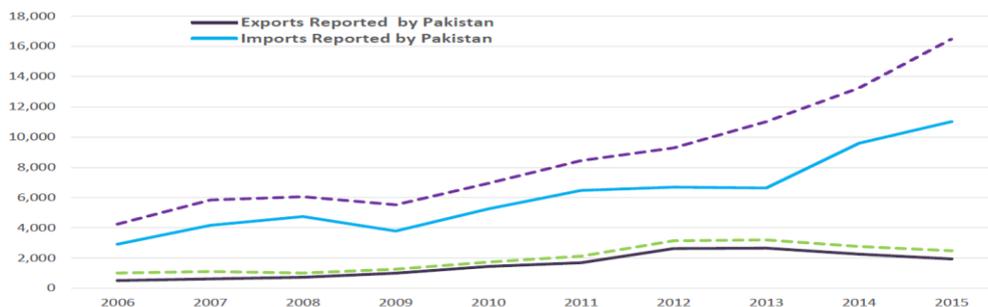


We can easily see from this data slide that trade deficit is growing between the two countries each year and the China - Pakistan Free Trade Agreement (FTA) signed in 2006 really played a major role in increasing the deficit.

Pakistan -China Trade



Pakistan’s China Trade Discrepancy in Reported Data of \$4.9 Billion



We should keep in mind these points when discussing about the economic relationship. Now as the topic is all about trade so it is important and relevant to talk about FTA as its extension is in the negotiating stage for couple of years now. The major scope of this FTA between China and Pakistan was to strengthen mutual friendship, diversification of trade and to increase bilateral economic cooperation. These all indicators are positive and healthy. So tariff elimination was to be determined after five years as per the FTA agreement. So China guaranteed 7,550 tariff lines and Pakistan guaranteed almost 6,803 tariff lines to China. However out

of 35% of 7,550 tariff lines the product fell in the zero rated category such as cotton, fabric, marble etc. which are the major endowments that we have, however 15 % products were given no concessions which include fish, paper, plastic and textile items.

Concession Utilization

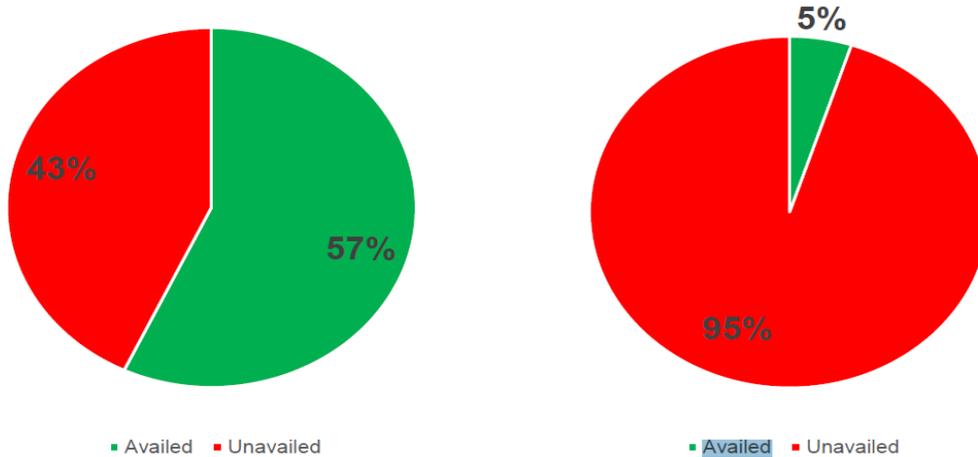
Pakistan availed of just 5% of concessional lines in FTA vs. 57% by China. Is there scope to remove some lines where Pakistan has no potential to export? Replace with those it does?

Even of 2681 zero-rated tariff items, Pakistan availed just 169.

Concessions cover many items not made/grown in Pakistan e.g. Coffee, Tea, Rubber, Nuclear Reactors

Of 6,830 Concessional Lines by Pakistan to China

Of 7,550 Concessional Lines by China to Pakistan



Zero tariff lines were offered on electrical and electronics product that China has in its endowments, however, no concession was given on woven fabric and synthetic fibre, paper based products and all. This seems a better position in the sense that whatever things they have in endowments we have given them the zero rate tariff. But now looking at this diagram we can easily assess that Pakistan has utilised only 5% of those 7,550 lines where as China has utilised 57 %. The unutilised is only 23% so it's a huge sum where we can see the implication and the value of this FTA.

The concessions that China has given us also includes the products that we don't have in our country for example coffee, tea, nuclear reactors we don't produce such products. There is no need of concessions on these products. So now we talk about major reasons behind the lack of exports and we have huge trade deficit with China and across the world. So Pakistan's potential export area has remained limited such

as textile even as China is becoming a major textile exporting country itself. We have a non-innovative export approach while China has given zero duty on 35% of total tariff lines as compared to 90% tariff of ASEAN countries and we see the example of Philippines and Singapore who are largest trade partners with China for last one and a half decade.

And I think this is the main point that should be highlighted in negotiations on FTA between two countries that some of the Pakistani products are facing high tariffs such as dry fruits in which we have endowments. Then on 25% on rice and garments and so on. As against the items which Pakistan lacks competitive advantage such as telephone sets, digital cameras, electrical machines, and children toys there is no need to have concessions on it.

According to Pakistan's Business Council's report 2017, they have analysed many critical points and according to that report Pakistan is facing a reversal of industrialisation and because we don't have solid industrialisation policies and provinces are still working on it. A range of negative factors including energy shortages, high energy costs, dumping and poorly negotiated trade agreements have been highlighted in the report.

Global value chain is a very vital topic. As per the data displayed, China has increased its share in the global value chain and its share is the second largest in global value chains after US. As per WTO over 2/3 of global trade happens in simple and complex value chains and Pakistan has almost no footprint in the global value chain. We have the very common example of iPhone. It's now made in China and its parts coming from Korea and the main software is developed in US. So by assembling all the stuff the final Apple iPhone is made. We should include the aspects of global value chains in the SEZs while making feasibilities of SEZs.

On CPEC, I don't want to go in too much detail as it will be covered by subsequent speakers but it's just a general view that CPEC will be going ahead in multiple new directions as agreed in the 8th JCC meeting. And as our previous speaker Mr Fazal pointed out in his speech about the challenges of SEZs, it is important that Pakistan

should look into these matters because if the proposed SEZs are not contributing enough in enhancing the exports of the country then they will be waste of resources. Increasing our export and manufacturing base should be the key point. We can learn from experience of China in establishing SMEs and SEZs.

In conclusion, I will say that Pakistan is losing its place in China and the world market so question arises that where will our export surplus come from. Pakistan should realise the importance of SME development especially for employment as we have 60% of youth population so we can learn from Chinese experience and we need to have a concrete SME policy. SEZs can play their role in expanding our export base if implemented correctly. Tax and Tariff regimes should be revised as well as financial eco system to better integrate Chinese FDI within Pakistan.

PRESENTATION

Mr. Yasir Masood

Deputy Director, Media and Publications, CPEC Centre of Excellence, Islamabad

CPEC: Progress and Prospects

Ladies and Gentlemen,

First of all, I would like to thank the Institute of Strategic Studies (ISSI) for inviting me to speak at this august forum. Since the topic assigned to me is a bit broad, therefore I will go through essential points and will try to be succinct and meaningful. Ladies and Gentlemen, when the idea of the China-Pakistan Economic Corridor (CPEC) was conceived in 2013, Pakistan was going through the most critical phase of its history because of multifaceted problems having different nature. But three major issues halted Pakistan's progress and prestige. One, due to acute energy shortfall, Pakistan's industry was relocating to other neighbouring countries thereby a considerable reduction to our exportable merchandise. Second, Pakistan was considered an investment dry country and no huge influx was happening to rectify energy deficiency. Third, heightened extremism and militancy then further dragged the country in its downward spiral. China stepped up and like always took Pakistan out of the dungeon of troubles and invested a mega sum through the blessings of CPEC. Now five years on, CPEC has bestowed big leverage to turn Pakistan into an investment pro country. Extremism and terrorism have died down and by 2021 energy shortfall will be over from our country. On top of other benefits, these are few major breakthroughs which are attributed to the CPEC.

Let me start with the early harvest phase of the CPEC. It is important to understand when we talk about Early Harvest Phase (EHP) or early harvest program the basic purpose was to improve the infrastructure and to get rid of energy shortfalls. These are the prerequisites because it is needed for a developing state especially in the realms of economic growth. So CPEC has leveraged us to an extent that by 2021 Pakistan will be no more an energy deficit country. As far as the infrastructure is concerned, many projects are completed as per schedule and the rest are at the edge

of completion. In the EHP, 22 projects were initiated inclusive of a 1+4 portfolio of CPEC, 11 of them are completed and the rest are at the concluding stages. More than 80% of the CPEC projects are financed and granted by the Chinese government and less than 20% is the loan incurred on them. The CPEC, therefore, is an ideal win-win inclusive component of the Belt and Road Initiative (BRI).

Now we are entering into the second phase of the CPEC. There were a lot of apprehensions externally and internally. There were a lot of rumours, ill-informed debates and controversies being generated in the minds of people regarding CPEC finances and its future. Since the inception of new government, more doubts were flared up in the news about the continuation of the CPEC projects but all of such controversies were put to silence especially after the new government expanded the horizon of cooperation with China on CPEC. Prime Minister Imran Khan is highly inspired by “China’s Miracle” to eradicate poverty and also talks high of the way China has been able to fight corruption, both examples he believes could be emulated here in Pakistan. People of Pakistan are eager to reap the fruits of CPEC as the real purpose of any mega economic activity like CPEC is to transform the lives of the people to a better standard. The underprivileged view CPEC as a harbinger of change to their lives for good. Therefore, the current government is keener on how to channelize the CPEC projects into people-friendly benefits, so that maximum benefits can be diverted to the society. China has also propelled the economic activity at mass level to take people out of poverty and by next year China will completely rid from the poverty problem.

To rationalise the whole concept of the CPEC, this government has attributed new slogans to it like “One Corridor with Multiple Doors” and a “Gateway to Prosperity” while “Game Changer” is still intact. The Centre of Excellence for CPEC has charted out the plan for next five years for the focal Ministry of CPEC i.e. Planning, Development and Reform as to how the socio-economic domain can be strengthened considering the different challenges ahead. For example, there are six new passages or corridors within CPEC like trade and marketing, market access, industrial development and global value chain, poverty alleviation, agriculture modernisation

and marketing, Gwadar oil city and blue economy. I will briefly touch upon these issues.

The government is now objectively engaged in identifying those areas which directly or indirectly can redirect the socio-economic predicament of the people of Pakistan in order to realise the true potential of CPEC. Therefore, the apex catalyst of CPEC is to make the initiative a 'gateway to prosperity'. These key areas through mutual cooperation would help steer CPEC in the right direction in the upcoming five years. Increased level of all these outcomes will converge to higher development, accelerated growth rate in economies of both the countries coupled with contributions to the development of the region and contiguous states.

Under the realm of agricultural modernisation and marketing, the government has prioritised value addition and co-branding of dairy, livestock and poultry sectors to significantly uplift these sectors. Productivity enhancement of fruits and high-value crops through the transfer of technology in precision agriculture (drip irrigation and sprinklers, etc) will be focused and application of modified and high yield variety seeds for crops diversification to substitute edible oil/pulses imports.

China is the second largest economy with \$12.24 trillion GDP, \$2.4 trillion exports and \$1.8 trillion imports. Pakistan's exports to China are \$1.5 billion and imports are \$15.8 billion. So, there is a huge trade deficit and there is a lot of talk as far as this trade imbalance is concerned. To mitigate this trade deficit with China, firstly, unilateral market access and the quota are needed to balance bilateral trade and, secondly a renegotiated FTA is critical. The case of non-tariff barriers along with the cultural norms and values of the targeted market should also be learned.

Pakistan direly needs more import substitution to rectify economic woes. China's light engineering sector and consumer products are relocating all over the world including Africa, South East Asia and elsewhere. Pakistan has huge potential to become the breeding ground for light engineering industry and if this industry is relocated to Pakistan, a huge sum of up to \$5 billion of imports can be saved. Relocation of Chinese export-focused light engineering and consumer products

coupled with labour intensive industry can add exports up to a share of \$40 billion a year. Pakistan is still a labour-intensive industry, unlike China which is no more a labour-intensive economy.

To increase productivity which is direly needed by Pakistan, expansion of IT and e-commerce through joint ventures, transfer of technology, capacity building, joint development and management of SEZs under CPEC can play a major role. About poverty reduction, it is an established fact that China has been able to eradicate poverty in the last three decades and since Imran Khan is very keen to learn from the Chinese experience and to uptick the socio-economic sectors, major socioeconomic reforms must be introduced exactly the way China initiated in 1978 and continued with the incremental alignment reform policy till date. By 2030 CPEC will be able to create 1.2 million jobs and up till now, around 60,000 direct jobs have been created for both blue-collar and white-collar professionals.

The government is also stepping up Gwadar with Blue Economy by the establishment of Oil City in Gwadar to substitute refined oil imports with crude oil. Development of aquaculture for fisheries and seafood along the coastal area would also be tapped. Coastal tourism will also further the prospects of Balochistan in particular.

Moreover, the focus will also be upon the CPEC infrastructure towards connectivity improvement, analysis of the alternative optimal routes for the region through Gwadar port, and exploring the feasible connections among Central Asia, the Middle East, Africa and Europe to achieve regional harmony and prosperity.

Pakistan requires to advocate more aspects of CPEC as well as align it with all relevant national, provincial and local plans of Pakistan. Therefore, both Pakistan and China must broaden bilateral cooperation, arrange periodic meetings of experts during the next five years in order to brand the benefits of CPEC through the implementation of various projects, strengthening the mutual communication and cooperation between the various federal level ministries, institutions, provincial departments, business communities and stakeholders. The current five-year plan

(2018-2023) of CPEC includes objectives that demand pressing needs and actions by both countries to accomplish the goals in true letter and spirit.

PRESENTATION

Mr. Muhammad Abbas Hassan

Research Fellow, Institute of Strategic Studies, Islamabad

Gwadar Port and Prospects of Blue Economy

Thank you chair for the introduction. I will talk about “Gwadar Port and Prospects of Blue Economy”.

Blue Economy was defined in Rio de Janeiro 2012 conference as “improvement of human wellbeing and social equity, while significantly reducing environmental risks and ecological scarcities”. On the other hand, The European Commission has defined it as--- “All economic activities related to the oceans, seas and coasts.”

While the world bank defines blue economy as “the sustainable use of ocean resources for economic growth, improved livelihoods, jobs and ocean ecosystem health.”

Based on the above stated definitions it can be said that the constitutes of Blue Economy are as follows:

- a. Research and development
- b. Fishing
- c. Minerals
- d. Renewable energy
- e. Biotechnology
- f. Maritime tourism
- g. Shipping and Maritime logistics
- h. Maritime Industries

However, due to certain limitations not all the constituents can be discussed in this presentation.

Gwadar is a port city on the southwestern coast of Balochistan, Pakistan. Gwadar's potential to be a deep water sea port was first noted in 1954, while the city was still under Omani control. Plans for construction of the port were not realized until 2007, when the port was inaugurated by President Pervez Musharraf after four years of construction.

Gwadar at the peak of its operations would be the world's largest deep sea port and is the backbone of CPEC. In late 2015, the port was officially leased to China for 43 years, until 2059. This also showcases the importance of Gwadar in the Belt and Road Initiative which culminates in 2049.

Now I will talk about blue economy and prospects in Gwadar. There are four broad areas that come into the immediate discussion i.e. Marine Transport (Port Services), Fisheries, Tourism and Ship Building and Repairs.

Fisheries currently contribute only 0.4% to the GDP, and the sector's approximately \$350 million of exports appears to be at a standstill. The Pakistan Economic Survey 2017-18 estimated that during the first eight months of fiscal year 2017-18, total marine and inland fish production was estimated at 482,000 metric tons, out of which 338,000 metric tons was from marine waters and the remaining catch came from inland waters.

Whereas the fish production for the same period of fiscal year 2016-17 was estimated to be 477,000 metric tons in which 332,000 metric tons was from marine and the remaining was produced by inland fishery sector. During eight months of 2017-18, a total of 108,262 metric tons of fish and fishery products were exported. Pakistan's major buyers are China, Thailand, Malaysia, Middle East, Sri Lanka and Japan.

Some recommendations for harnessing Gwadar's potential are as follows: train local fishermen; adopt best practices; compliance with international standards; prawn and shrimp farming at Gwadar and export processing units.

Unfortunately, when it comes to tourism, we have always looked towards the northern areas of the country and have not realized the potential of Arabian Sea. This is also due to the sea blindness that prevails in the country. In order to have a sustainable tourism model, there should be public private partnerships, sea sports and adventures and beach resorts. Currently there is only one hotel in Gwadar that meets the international standards. If a city is being pitched as the future of the region, presence of international hotel chains is a must.

At the same time, we have to establish repair services at the Gwadar port. The government has already announced a shipyard in the area but that is not enough. If we need to attract ships and gain business, the port should have all the allied services. If this is not the case, bulk of the transit cargo carriers would not be interested in docking at Gwadar. Unless these services are not provided, Gwadar port will not reach to its potential and would only serve as a docking station.

In conclusion, I will like to say that opportunity needs to be grabbed, capitalization on the blue economy can shape the future and Gwadar port can only be a success if a successful blue economy model is adopted.

QUESTION AND ANSWER SESSION

Question: Whether Pakistan would adopt anti-dumping policy against China or we would just continue with the current approach because Chinese industries are highly subsidized which give their exports competitiveness abroad?

Answer: How many anti-dumping cases are reported in our national tariff commissions? It's very easy to accuse others of what they are doing but we have trade defense laws, we have independent judicial forum available to us but may be the problem is the lack of our own competitiveness. Our academics should guide our industry that if the industry feels that they are under pressure from unfair competition then forums are definitely available to address them.

Question: Why are we not looking towards feasibility studies and clearing them first before adopting any project because we have to be sure on the feasibility first?

Answer: I agree with the question and these issues of feasibility studies should not be treated as state secrets and these should be made public for debate and discussion. We have the internet access and we can go to the planning commission site to study SEZ reports but there is hardly anything available worthwhile there for research and analysis. So it's very difficult for us to find credible data to build our analysis. I think feasibility studies have to be taken seriously.

Question: When will be the first SEZ come to fruition. Secondly Gwadar is more of a docking facility right now so can you tell us about the latest developments there with regards to converting Gwadar to a proper functional port?

Answer: There were four SEZs decided in the 8th JCC meeting and at the time of inception it was 46. As per reports Rashakai will be the first SEZ to be completed but I am not sure about the exact date of inauguration. Prime minister had ordered that it should be open before June. Gwadar will be a standalone project but this government is taking it further and increase its connectivity with other ports. So five

years on, Gwadar will be a different port altogether with a new airport in the vicinity and its connectivity.

Question: When will the economic zone commence in Mirpur AJK?

Answer: Mirpur SEZ is on the cards but I don't know when the actual work will start on that. The current phase is about the acquisition of land but we will see where it goes.

Question: Has China committed to swapping currency or is it merely a media story?

Answer: The currency swap is in progress and will be beneficial to Pakistan as there should be a mix of basket rather than solely relying on dollar.

CONCLUDING REMARKS

Dr. Safdar Sohail

DG, National Institute of Management

I appreciate all the speakers for brilliant presentations. I also apologize for shortage of time and not taking more questions.

I have strong feelings that we may have failed in many areas for not implementing some projects in CPEC but we must not fail in making analysis for future at least. We still are talking about promises about the expectations, dreams and desires but we must do good critical analysis about what happened in the past five and a half years, where did we start from and where we are heading. One final thing I would like to say is that for strategic partnerships, we must have strategic vision and my view is that we started with the right vision. In energy sector we did well. In Gwadar we did well but for industrial expansion in the long term we should do much more. Using this next level term is fine if we have the resolve.

I thank you for patient hearing.

Session II

LEVERAGING REGIONAL CONNECTIVITY for DEVELOPMENT



The session was chaired by the former member of the Planning Commission Muhammad Zubair Ghori

The speakers in the session included: Dr. Huma Baqai, *Institute of Business Administration, Karachi*; Dr. Zahid Anwar, *University of Peshawar*; Mr. Imran Shaukat, *Senior Advisor to Minister for Health*; Dr. Fida Mohammad Bazai, *University of Balochistan, Quetta*.

PRESENTATION

Dr. Huma Baqai

Associate Dean (Faculty of Business Administration) & Associate Professor of Social Sciences and Liberal Arts at Institute of Business Administration, Karachi

Regional Connectivity: Imperative for Economic Development

Contemporary times have witnessed a rediscovery of regions as an important source of competitive advantage in a globalizing political economy.

Two elements stand out:

1. Spatial clustering
2. Specialization

Connectivity is built upon regional integration and cooperation. The paradigm shift in Pakistan's foreign policy from geopolitics to geo-economics is now entrenched. Dr. Maleeha Lodhi, Pakistan's permanent representative in the United Nations, in 2016, categorically stated that "promoting regional integration and connectivity is one of Pakistan's top priority".¹ It is now established that wealth creation in the twenty-first century is linked to maritime infrastructure goals, improved connectivity and capacity creation.

The twenty-first century is driven by multiple sets of political economic forces where the regional connectivity thrust initiated by China is far reaching. It is being adopted by Eurasia and Africa and has both intra and inter-regional dimensions.

The Debt Trap Argument:

The debt trap argument is flawed to begin with. Infrastructure investment rarely offers commercial returns. Historically, the British Empire was known as the master of debt traps. These methods have been copied in the post-1971, post-Bretton

¹ Pakistan Mission to United Nations, (2016). *Poverty, inequalities overarching challenges for Asia says Ambassador Lodhi*

Woods era by United States.² China, in the near past, was not the largest investor for infrastructure building projects. From 2006 to 2014, Australia remained the largest donor with projects around the world worth a total of \$US7.7 billion. The next largest was the United States with \$1.9 billion. China came close behind with \$1.8 billion.³

The whole argument of debt trap diplomacy by China lacks any evidence supporting the claims. A well-documented research made by the China Africa Research Initiative at the School of Advanced International Studies (SAIS-CARI) at Johns Hopkins University, reveals that the majority of African debt is not held by China, but by Western countries and such Western-backed institutions as the IMF and World Bank.⁴

Beijing has rejected assertions that BRI is a form of debt-trap diplomacy or a geopolitical tool to expand China's influence. Zhang Yesui, Chinese Vice Minister of Foreign Affairs, recently stated in 13th National People's Congress in Beijing, that "China attaches great importance to the problem of debt sustainability and will neither force other's to cooperate on projects nor create any traps".

The rise of China has risen the insecurities in the west, the trends indicate that alternative trade, finance, and development organizations will emerge to counter western domination of existing institutions. The winds of emerging global trends are in flux, swaying ever more eastwards than before. Relative wealth and economic power continues to shift favorably from the West towards the East.

The Eastward Shift:

According to figures collated by Yves Tiberghien, Professor at the University of British Columbia, in 1990 China was just 6% of what the American economy was. By

² Askary, H. and Ross, J. (2018). Why China's 'Debtbook Diplomacy' is a Hoax. [online] The International Schiller Institute. Available at: <https://schillerinstitute.com/why-chinas-debtbook-diplomacy-is-a-hoax/> [Accessed 5 Apr. 2019]

³ Lee Kuan Yew School of Public Policy, (2018). *The debt trap politics of China*. [online] Available at: <https://lkyspp.nus.edu.sg/gia/article/the-debt-trap-politics-of-china> [Accessed 5 Apr. 2019]

⁴ Askary, H. and Ross, J. (2018). Why China's 'Debtbook Diplomacy' is a Hoax. [online] The International Schiller Institute. Available at: <https://schillerinstitute.com/why-chinas-debtbook-diplomacy-is-a-hoax/> [Accessed 5 Apr. 2019]

2000, the percentage rose to 12%, by 2008 to 30 and by 2011 to a surprising 50%. This trend will continue growing in favor of Asia and by 2020 its projected to overtake the combined economic power of Europe and North America. By 2025, two thirds of the world's population will live in Asia. Whereas the US and the European union would account only for 5 and 7% respectively. The demographic and economic axis of the Earth has shifted measurably to the opposite end of Eurasia, where the spaces between major population centers are overwhelmingly maritime.

Three major factors:

- China's rise as the second largest economy in the world
- United States' desire to rebalance Asia
- Assent of several emerging economies

The Rising China:

Mid to late 1990s and early 2000s, China's multi-trillion-dollar Belt and Road Initiative (BRI), both land-based routes and maritime silk route, connecting China with the world economies on a trans-continental scale could well become the biggest projects of the twenty first century. China is engaged in economic projects with some 65 other countries that account collectively for over 30% of global GDP, 62% of population, and 75% of known energy reserves.⁵

In 2015, China and Pakistan launched the China-Pakistan Economic Corridor under BRI, with the signing of 49 agreements to finance a variety of projects with a total expected value of \$46 billion. China is India's largest trading partner, with bilateral trade totaling around \$84.4 billion in 2018. The two countries have signed 24 agreements and nearly \$30 billion worth of business deals.

⁵ The World Bank (2018). *The Belt and Road Initiative*. [online]. Available at: <https://www.worldbank.org/en/topic/regional-integration/brief/belt-and-road-initiative> [Accessed 5 Apr. 2019]

China has become a major investor in Afghanistan, through projects like the Mes Aynak copper mine, a \$3.5 billion project in Logar province and the largest direct foreign investor in Afghanistan's history. China is Bangladesh's top trading partner in 2015, imports from China (including Hong Kong) were 27% of Bangladesh's total imports. The investments have reached up to \$35 billion. Sri Lanka has also been the leading beneficiary of Chinese infrastructure investment in South Asia, with nearly \$15 billion worth of projects between 2009 and 2014. China is also bolstering trade with Nepal, pursuing road building and hydropower projects. Nepal has also signed several agreements with China, including a permanent arrangement for energy supplies and a transit treaty granting Nepal access to Chinese ports. In Maldives, Chinese investment has now enabled more than 20 projects and the largest three of the 20 projects alone will be worth 40% of the Maldivian GDP.⁶

Competition in the Region:

The competition in the region has created diverse security challenges including energy security, piracy, and military posturing as well as diverse opportunities.

- Chinese investments under Belt and Road Initiative have heightened the ocean's strategic value.
- United States' "rebalance to Asia" (shifting from a foreign policy dominated by the Middle East to one more centered on Asia) has also been a contributing factor elevating concern over Indian Ocean security.
- US with Indian support is trying to curtail Chinese influence in the region
- Pakistan possesses golden chair.

China-Europe Equation:

⁶ Khan, R. (2018). China's growing influence in South Asia. *The Nation*, [online] Available at: <https://nation.com.pk/05-Aug-2018/china-s-growing-influence-in-south-asia> [Accessed 5 Apr. 2019]

China has firmly established its economic presence in Europe. It has invested around \$84.2 billion in Europe, in 2017, compared to its \$2.2 billion worth investments in 2010. These Investments have led China to now control 10% of European port capacity. On the contrary, Chinese investment on CPEC is \$64 billion. With the blurring of ideological battle lines and the establishment of new trade links, a new geographic entity has started to emerge: Eurasia

European Union released a new strategy on “Connecting Europe with Asia” as its principal guidelines toward connectivity between the two continents.

Core aspects:

- Sustainable connectivity,
- Comprehensive connectivity, and
- International rules-based connectivity
- Ruled-based use of strategic space

The greatest challenge for China in response to the EU strategy is that of a commonly agreed, rule-based cooperation. In 2018, the most significant change in EU-China relations was the demand by Europe of a safety net to regulate foreign acquisition of assets that could undermine European security or public order. The year 2018 ended with three significant developments in Europe-China relations which are indicative of differences.

- The publication of a new policy paper setting out the priorities of China’s EU policy
- The deep interrogation across Europe regarding whether Huawei should be allowed to build the continent’s 5G infrastructure.
- The widespread suspicion that the Chinese military was behind the large scale cyber operation that hacked a EU communications network

China's Perspective:

The paper released by the foreign ministry said that “China and the EU need to stand firmly against unilateralism and protectionism, push for a more open, inclusive and balanced economic globalization beneficial to all.”⁷ China also committed to significantly ease of market access and hoped EU will keep its investment market open, reduce and eliminate investment hurdles and discriminatory barriers, and provide Chinese companies investing in Europe a fair, transparent and predictable policy environment and protect their legitimate rights and interests

The emerging equation between Europe and China, where issues of investment, connectivity, market access and use and control of strategic spaces have a mutually developed rule-based construct. This can immensely help South Asia also structure its relationship with the emerging economic giant.

South Asian Integration:

South Asia has all the major conditions that once paved way for European integration. It is as scattered and disoriented as Europe was post-world wars. European integration too began with the economic sector, and South Asia's emergence as the world's rising economic hub, together with China's unprecedented economic thrust, can result in similar outcomes.

South Asia has the potential to become a hub of innovation with its young population well connected to new global technological developments, opportunities created by extra-regional entities, and a huge enterprising middle class. An important impediment to peace in South Asia is its geopolitics, which has remained on the table with its core ingredients: space, territory, territoriality, and power. Commercialization connected with geopolitics is making geo-economics take

⁷ Ng, T. (2018). China publishes wish list for relationship with European Union. [online] South China Morning Post. Available at: <https://www.scmp.com/news/china/diplomacy/article/2178543/china-publishes-economic-and-political-wish-list-its> [Accessed 5 Apr. 2019]

precedence in the region and thus, the win-win cooperation with China, can make the region developed and peaceful.

Options for the Region: A Way Forward:⁸

Uninterruptable Dialogue:

Pakistan and India have had seven rounds of fruitless dialogue; observers even call it the “dialogue of the deaf” where meetings happen, photo opportunities take place and the glamour and drama of high profile diplomacy is in full display. However, nothing beyond tepid Confidence Building Measures (CBMs) is achieved.⁹

The notion of uninterrupted dialogue is an Indian submission. Mr Mani Shankar proposed it in mid-2014, saying “uninterrupted and uninterrupted dialogue which is continued irrespective of what is occurring” is the way forward. More recently, the Prime Minister Imran Khan and Foreign Minister Shah Mahmood Qureshi have both re-emphasized the need of uninterrupted dialogue. However, India continues to stonewall all such initiatives. The dialogue between Pakistan and India have taken place in 2015, 2012, 2003, 2001, 1999, 1972 and 1966, under the titles of Comprehensive Dialogue, twice as Composite Dialogue, the Agra Summit, Lahore declaration, Simla Agreement and the Tashkent Agreement. None of them have served to improve the relationship between the two protagonists. If anything there is a complete breakdown of talks since 2015. Pakistan continues to offer talks as a way forward and the latest pro-people initiative of Kartarpur was an attempt to once again offer the olive branch to India.

Multiple Trade Blocs:

The lack of intra-regional trade is a huge constraint in the collective growth of economy of the region. According to World Bank’s report “A Glass Half Full”, intraregional trade in South Asia is one third of its potential and yet countries in the

⁸ Also mentioned in the paper on “Investing in Peace: Economic Interdependence in South Asia”, presented at a conference held by Islamabad Policy Research Institute in December 2018.

⁹ Baqai, H. (2014). New Trends and Paradigm Shifts in Pakistan. In: Bhatia, R., Singh, S. and Marwah, R. ed., *Transforming South Asia: Imperatives for Action*, New Delhi: Knowledge World, pp. 177-197.

region have erected trade barriers against each other, denying people the benefits of proximity.

Pakistan and India can play a proactive role through cooperation rather than competition, and this can be done through strengthening existing blocs reviving those that are non-functional and perhaps even making new. Moreover, the twenty-first century regionalism is geared towards not only inter-regional, but also intra-regional cooperation; Eurasia being the most pertinent example.

Reconciliation of Narratives:

National narratives and meta-narratives play a vital role in bringing about reconciliation between parties. It works like a lubricant in taking forward peace initiatives. Unfortunately, Pakistan and India's national narratives are both competitive and confrontational. The media that has a very important role in reconciliation of narratives, loses all objectivity when tensions between the two foes are high. It will not be incorrect to say that the relationship between Pakistan and India is hostage to hostile narratives. Election campaigns, especially in India, have Pakistan bashing high on the agenda. A conscious effort to reconcile the narrative to pro-peace will go a long way in improving the relations between the two protagonists.

Marginalizing spoilers:

The biggest source of risk in precarious peace negotiations between historical foes comes from spoilers. They usually see peace initiatives as a betrayal of key values, and thus seek either to alter the process or destroy it. Moreover, if peace happens, their relevance is greatly reduced. In most cases, they are fighting for their own relevance rather than the case they portray. Pakistan and India are not any different; sporadic emergence of violence or acts of terrorism, where Pakistan and India are involved in a peace process are not co-incidence, but intended acts of sabotaging peace. Those responsible must be identified, exposed and marginalized. The thrust is

to blame each other for terrorism and use it to hurt, rather than coming together to defeat the common enemy.

Socializing populations to peace:

People-to-people contact should also be uninterrupted to create the much-needed critical mass for peace. When the governmental relations deteriorate, all other avenues of interactions also get impacted. The cultural and social exchanges are also impeded, issuance of visa for cultural, social and economic interactions is used as a political tool of revenge. Two-way communication, fair trade relations, avoiding conflict and fighting common crises together are all hostage to the government-to-government contact between India and Pakistan.

PRESENTATION

Dr. Zahid Anwar

Director, China Study Centre, University of Peshawar

CPEC Extension to Third Countries

Pakistan and China relationship has been transformed into Iron brotherhood since Bandung Conference. The BRI is a trillion dollar Chinese plan to economically integrate more than fifty countries in different continents. It is comprised of 6 economic corridors- one among those corridors is the CPEC. CPEC is the flagship project of the BRI and is of more than \$62billion mega project. Four elements are important in this connection: It will promote transit and trade; energy cooperation; infrastructure and economic integration. Pakistan and China welcome all neighbouring countries to join CPEC. Pakistan and China are trying to create a win win situation for all the regional neighbors. To a great extent it will decrease the suffering of the people of Afghanistan. The author visited Afghanistan by road in July 2001 from Torkham to Jalalabad, Kabul, Maidan, Bamian, Baghlan, mazar-e-Shareef, Jowzjan, Farab, Baghis, Herat, Farah, Helmand, Kandahar, Zabul, Ghazni, Kabul, Jalalabad and then back to Pakistan. People in Afghanistan still cherish and appreciate the wholehearted support to them in their trial and tribulations in the 1980s.

I will analyse how Afghanistan can benefit from CPEC keeping in mind these four elements. It is the commitment of the leadership of Pakistan and China which has transformed this dream of CPEC in to a reality. Afghanistan has taken key interest in CPEC and Pakistan has already constructed two roads in the southern Khyber Pakhtunkhwa from D.I. Khan to Angoor Ada and Ghulam Khan in order to connect the two provinces of Afghanistan in south eastern Afghanistan. The major exports of Afghanistan are medicinal plants, carpets, fruits and minerals. CPEC is offering opportunities for Afghanistan to nourish its trade. CPEC is the shortest route for Afghanistan to export and import. Energy is the basic need of any country in this modern era. CPEC can help Afghanistan to overcome its energy shortfall. For

instance, by 2020, Kabul will need 3000MW. If overcome, it will galvanize industrialization in the country.

The physical infrastructure is important for the economy of a country to function properly. This requires physical improvements such as tunnels, roads, water supply and electrical grids. If China, Pakistan and Afghanistan develop convergence of economic interests and Afghanistan joins CPEC, it will help to develop the infrastructure of Afghanistan. The third point is economic integration. Economic integration is a union between countries that promote management of financial policies and eliminate economic barriers. Basic purpose of economic integration is to reduce costs of production. If Afghanistan joins CPEC, the trade barriers with its neighbouring countries will be diminished. Afghanistan has a 76 km border with China. Hence, by joining CPEC, Afghanistan can overcome its problem of economic integration. Insecurity is a big problem in Afghanistan. By joining CPEC, Pakistan and China will help in restoring peace in Afghanistan. In this context reconciliation talks are taking place in China, Pakistan, Qatar and UAE to resolve the Afghanistan's imbroglio. By joining CPEC industrialization will be enhanced in Afghanistan and will also help in overcoming the problem of unemployment in the country.

Due to the commitment of Chinese and Pakistani leadership, many countries are now taking keen interest in CPEC. By joining CPEC, Afghanistan will be able to increase its transit trade. Besides, this will also help in restoring peace in Afghanistan. Political stability in Afghanistan will help galvanize economic activity in the region and will also promote peace in the entire region.

PRESENTATION

Mr. Imran Shauket

Senior Advisor to Minister of National Health Services, Regulations & Coordination

CPEC and Regional Integration

I am a strong believer in regional integration. Pakistan is one of the largest countries in the world but is not well integrated and not a part of any major regional entity. It is the most appropriate time to be talking about integration and connectivity. It is quite notable that one of the first world integrated entities that came out in 1964 was RCD and Pakistan was one of the pioneers of this integrated entity. However, it is an irony that despite being a creator of RCD, Pakistan is currently not a part of any truly effective integrated entities since its eastward integration is marred by tensions in SAARC, westward integration is handicapped by Afghanistan, and Pakistan is only somewhat integrated with the North and even that is coming under criticism.

Integration internationally goes through different phases including harmonization and economic liberation. The concept of regional integration itself has been on a fast pace since the creation of the European Union. Many regional entities have come into being in the past many decades. However, on the contrary we today see nationalism on a rise everywhere, where populism is taking over the desire to integrate. In my opinion one of the most important reasons for the rise is due to the perceptions related to equity and benefits to the various partners. Many presenters today spoke about their negative perceptions about the Pak-China partnership. They have focused today on what is CPEC? Which direction is CPEC partnership taking? What benefit China gets and what is in it for Pakistan? Therefore, it is becoming critical at this stage to discuss on how do we make Pakistan's relationships with China and the other countries a win-win; how do we create more equitable and integrated partnership!

Since so many of the presenters have already spoken on Pakistan-China relationship, I would like to go beyond CPEC and speak on other possible partners. It can include

other forms of integration including cultural, historical, and religious, because they bring mutual benefits as well. I will cite some examples on this subject. For instance, there are 600 million Buddhists in the world. Pakistan is considered the region where Buddhism originated and we need to capture the faith based tourism aspects of this heritage. The World Bank report shows that there is \$3 billion worth of yearly benefit to Pakistan from Buddhist tourism alone and another \$1 billion from Sikhism. Pakistan needs to be much more tolerant and show acceptance of others in order to capture these potentials.

I will now discuss the pre-requisites to integration. In my opinion, there are two paramount pre-requisites – first, confidence in one-self, and second, trust in others (which is a factor of confidence in oneself). One has to be confident enough to shake hands with others on equal terms and also be able to put trust in others, as you cannot always suspect everyone. Why is Pakistan as a nation not confident and why do we distrust others? I will now ask the audience to rank Pakistan in the 200 nations of the world. Most audience members ranked Pakistan in the bottom 10% of the nations. I agree that although in most socio-economic indicators, Pakistan ranks in the bottom 10%, and somehow as a nation we also look down upon our self.

I want to propose a different ranking based on 4 categories: size of country, military strength, nuclear strength, and economic strength. Pakistan is the 5^h largest country by population, 6th largest army, one of 8 or so nuclear powers and the 23rd largest economy (PPP). By averaging these 4 factors, I arrive at the conclusion that Pakistan is one of the top 10 nations of the world, that is, it is the top 5% countries, not the bottom 10%. We therefore need to act like the leading countries of the world, not the basket case that we ourselves and the world perceive us as. Hence, Pakistan really needs to work on its own confidence in order to achieve success. Fortunately, we do have a leader at this time who acts with self-respect, who is a nationalist, and is dignified.

As my final remarks on integration, we have to move deliberately and with focus. We need to prioritize our national interests and need to start working to integrate

our self with rest of the world. SAARC is the largest trading bloc if we can let it become an effective entity and Pakistan should work towards this end. Furthermore, Pakistan should be looking to integrate with the rest of the world by focusing on entities such as ASEAN and APEC. Pakistan should leverage its goodwill and friendship with China and we can leverage their relations to be a part of other regional blocs. Pakistan should be looking at countries in the east that were behind us twenty years ago and are now ahead of us. We need to learn from their development models by getting close to them, and we really need to use the platform that CPEC has provided to become a partner with the rest of the world.

PRESENTATION

Dr. Fida Muhammad Bazai

*Assistant Professor, Department of International Relations, University of Balochistan,
Quetta*

CPEC and Social Structures of the Region

Thank you Institute of Strategic Studies for inviting me to share my opinion over this pertinent issue. Since we already had detailed discussion on CPEC, so I will not be repeating it. There are three kinds of the existing literature on CPEC. The dominant school of thought, mostly published in the United States and to Europe, based on neo-realism, perceives the BRI in general and CPEC in particular as the institutionalization of the new-Cold war between the United States' and China manifesting itself in various forms including the ongoing trade war between the two countries. They believe that the China's soft power through energy and infrastructure projects will soon be converting into hard power not only affecting the sovereignty of the member countries, but also challenging the United States in Pacific and South Asia. They strictly believe that CPEC is a security project, which will be providing land route to the China's energy supply from Middle East, which will decrease its dependence on the Malacca straight, where the US navy is monitoring international maritime traffic. The Washington perceives the CPEC in geo-strategic term, which has been spelled out by the Trump administration's senior officers particularly the Vice President Mike Pence at various occasions. They consider it as Trojan horse for the Chinese influence instead of Beijing's various assurances that CPEC and BRI are win-win games for all member states. There are also concerns that CPEC and BRI will be exporting "Chinese Model" into developing countries under the pretext of infrastructure and energy projects. These concerns further heightened after the refusal of the East European Countries like Hungary, Greece and Slovakia to condemn China's position on South China Sea and human rights violations within the country.

The Second school of thought is prevalent in China, Pakistan and member countries, who perceive CEPC and BRI as game changer, which will turn them into economic hubs and cent

er of trade and investment. The Central Committee of the Communist Party of China clearly stated in 2013 that it is necessary to “accelerate the construction of infrastructure connecting China with neighboring countries and regions, and work hard to build a Silk Road Economic Belt and a Maritime Silk Road, so as to form a new pattern of all-round opening” (16th January, 2014). After development of its coastal areas, China wants to develop its western provinces through opening with the neighboring countries. They believe that BRI and CPEC are natural expansion of China’s economic reforms and policy of global integration. They believe that CPEC and BRI are not challenging the existing regional cooperation programs; they are based on the reality that the development and stability of these countries and regions are highly important to China. Therefore, as long as the BRI promotes regional economic cooperation and maintains regional stability, the initiative will find common ground and expand cooperation with them, and achieve equal cooperation and mutual benefit.

The third kind of literature, based on constructivism, believes that China is providing an alternative international governance model to Bretton wood institutions. They believe CEPC, which is flagship program of the BRI, is Chinese Marshal Plan, which started from Pakistan, which will be expanding to other regional countries to create a new social structure in the region. This social structure at the beginning may not be having the potential to challenge the existing international order, but will initiate a new social structure in the region as Marshal plan changed the nature of politics in the European block for good. They believe that China’s new policy of BRI, backed by its centuries’ old civilization, and tremendous economic growth in the last four decades, has the potential to change the identities and interest of the member states. If China succeeds to change the identities of the members states into economy and social development centric to alleviate poverty, inter-state rivalries, terrorism, nuclear arms race, proxy wars, it will be the most

significant project of the twenty first century. On the other hand, it also has the potential to discourage democracies, transparencies, human rights protection. The growing rivalries between the US and China, the member countries nature of agreement, and domestic systems determine the future of CEPC and BRI.

The key difference or dependent variable that could change the direction of CPEC is the social structure of the region. If we continue to live in the existing social structure which is characterized by intra-state rivalry, terrorism, proxy war and security dilemma than there are very dim chances that we could capitalize the real potential of CPEC. So one of the key ingredients to achieve the maximum potential of CPEC and change it from infrastructure project to a real source of connectivity with other countries, there has to be a change of Pakistan's identity and interest. And I think it as one of the key opportunities for Pakistan to initiate and capitalize the CPEC project and start prioritizing economy over security and start having people-centric policies over state-centric policies to national issues. Pakistan is having trouble on all its borders and the lesson is that trade and war cannot go together. Therefore, Pakistan should not entangle itself into this confrontation. Also Pakistan should focus on the implementation of CPEC and its realization under win-win policy. For this purpose, it is important that Pakistan should invest in socio-cultural fabric and change the socio-economic landscape.

QUESTION-ANSWER SESSION

Question: In a world where xenophobia and jingoism rule, do you think that economic antibiotic is the only thing we should inject in this region?

Answer: CPEC is not a utopian thought. It is very much a reality. Many joint projects are going on between Pakistan and China. Previously, Pakistan had the excuse that it resides in a dangerous region. In the form of CPEC we have an opportunity to change this reasoning. It is hence essential to capitalize on this project. We in Pakistan need to go beyond economic integration and move towards social integration. There is a need to shift from security to a more people centric approach.

Question: The international community is in transition. How can we apply the tough by-peace model to Pakistan so we can get peace in this way?

Answer: The 21st century regionalism is being triggered by the East. Intra-regional connectivity needs to be studied. The peace of the entire South Asian region is hostage to the Kashmir issue. The elections in India are extremely critical because these will decide what kind of state India will be in. This is why it is important for the international community to see what trajectory is the third largest democracy in the world is on.

Question: The Wall Street Journal raised the question of debt-trap diplomacy regarding CPEC. Can you please share your views on debt-trap diplomacy?

Answer: What the Chinese are investing in South Asia is minuscule to what they are investing in Europe and Africa. This cannot be sustainable unless there are dividends involved for the host country. Pakistan is very intelligently playing its cards with both Washington and Beijing and that is the way forward.

Question: How can we shift our focus on economic management from security management?

Answer: We have to prioritize things other than security. Thus, CPEC has provided Pakistan to turn around its priority. We can use CPEC as an opportunity to not only change our identity and interest but the identity and interest of the entire region through this project.

CONCLUDING REMARKS

Muhammad Zubair Ghori
Former Member Planning Commission

Thank you ladies and gentlemen.

Let me conclude with thoughts that have been shared by speakers.

Dr. Baqai talked about connectivity which is the key for the future and Pakistan is the pivot. She said that ideological lines are blurring which makes a very interesting remark. We may have a Eurasian model and focus on Asia.

Dr. Anwar talked about future energy corridors through Afghanistan.

Mr. Shauqat proclaimed non-academic but he talked a lot of academic things. He talked about perception management, going beyond the CPEC and about tourism potential.

Dr. Bazai talked about the economic connectivity we need to have.

Let me quote here Francis Bacon “reading make it a full man, conference a ready man and writing an exact man”. So that’s what we have gathered here for in this conference. Pakistan is a knowledge consuming country, not knowledge producing. Pakistan may be top 5% in production of people but not peoples development. Pakistan is going to take over Indonesia in a few years, not in economic but in the population domain. Pakistan needs to do introspection, search for its soul, and find self-confidence. There is a need to produce our own knowledge, rather than quoting others. Pakistan has to work harder to counter challenges and achieve milestones as envisioned. Pakistan has to look after its interest and work for it. Pakistani youth should focus on present and make it worth a better future.

Session III

REALIZING SOCIO-ECONOMIC DEVELOPMENT



The session was chaired by the member Senate of Pakistan Lt. Gen (R) Abdul Qayyum.

The speakers in the session included: Dr. Khalid Manzoor Butt, *Government College University, Lahore*; Dr. Samina Sabir, *Azad Jammu & Kashmir University*; Dr. Saranjam Baig, *Karakorum International University*; and Syed Tanvir Abbas Jafri, *COMSARS University, Islamabad*.

PRESENTATION

Dr. Khalid Manzoor Butt

Director, Centre of Excellence China Studies, Government College University, Lahore

CPEC: Politico-Economic Benefits and Challenges for Pakistan

China Pakistan Economic Corridor (CPEC) is considered a great opportunity for both the countries. It seems to be beneficial also for the growth of economic activities in the region. The economic corridor is a culture of trade agreements and treaties, status, delegated legislation, and customs that govern and guide trade relations, institutions and structures, or movement of products, services and information in the region among people in and across borders. These corridors are meant to provide links between various economic actors along a definite geography. The CPEC 4+1 is generally described as road, rail, cyber link, energy projects along with development of Gwadar port and city. Though it is meant to serve economic purposes yet it entails political, strategic, and social implications for the region.

China- Pakistan Economic Corridor:

CPEC is a collection of infrastructure projects that are currently under construction in Pakistan. It goes without saying that CPEC is the central plank of China's BRI concept which aims to connect sixty countries to increase economic integration between Asia, Europe and Africa. Gwadar port, the corner stone of the CPEC which is located in the Arabian Sea and occupies a key position between South Asia, Central Asia and the Middle East, situated in a close proximity of the Strait of Hormuz which is a gateway for around 20% of the traffic of world's oil.

Politico-Economic benefits of CPEC for Pakistan:

CPEC is regarded as a "Game Changer" for Pakistan. The amount of foreign direct investment, infrastructural development, trade activities and regional connectivity apparently make CPEC a way forward for Pakistan. However, it is also very important that we should use this opportunity in that manner where people of

Pakistan and the region would be benefitted. Following are the economic benefits of CPEC:

Economic benefits of CPEC:

Economic Stability:

In the recent history, Pakistan's economy has suffered a lot. It was ravaged by multiple factors such as terrorism, bad governance, corruption, power shortage etc. One of the major reasons for the spread of terrorism in Pakistan was scarcity of economic opportunities for common people. CPEC will provide economic opportunities for the people and lure them to give up arms and return to the life of a law-abiding responsible citizen. Indeed, CPEC is expected to stabilize our terror-hit economy. China being the major partner of CPEC has become stakeholder and by using its good offices, she can be helpful in bringing peace and normalcy to Afghanistan. As a matter of fact, we have already seen an active role of China during the recent Afghan peace negotiations.

It is worth mentioning that various energy projects are being made under CPEC thus Pakistan will be able to overcome its energy crisis and to restart its industries and other business activities in future. It is a fact that the resumption of economic activities will lead to economic stability in Pakistan. Notwithstanding, CPEC will open a new era of development and all this will have a direct impact on the life of a common Pakistani.

Special Economic Zones are being planned under the umbrella of CPEC in all the provinces of Pakistan. These zones will attract potential international investors and help Pakistan to strengthen and drive its economic growth. The SEZs will also encourage the local businessmen to invest and generate economic activities.

There are three planned alignments with-in CPEC; Eastern, Western and Central routes. The western route is the most important route as it goes through the backward areas of Balochistan and KPK. Through other two routes, various parts of Pakistan will also be covered. So, the CPEC will not only bring development to the

backward areas but also connect far-flung areas with the big urban and industrial centres of Pakistan.

Infrastructure Development:

CPEC primarily is a framework of regional connectivity and infrastructure development. The development includes construction of roads, railway tracks, energy pipeline routes, Gwadar's international airport and many more allied projects. It will provide and equip Pakistan with infrastructure that would lead to economic development. The infrastructural development will not only help to establish and improve regional business but also stimulate inter-province trade. It will help the businessmen and the growers to transport their perishable and other products to the markets swiftly. The infrastructural development will help the markets to get connected with the farms. This will generate business activities and growers would get better prices.

Industrialization:

Pace of development through industrial sector is far greater than agriculture sector because its production is much higher and enhances job opportunities. In short, industry has a multiplier effect on the economy. In fact, all leading western economies of today are industrialized. Through CPEC, Pakistan also gets the opportunity to revolutionize its economy and switch from the old agrarian economy to an agro-industrial economy. Pakistan has huge population with majority below the age of 30. So, it is urgent need for industrialization to create jobs for its young population

Increase in Revenue Collection:

Through Gwadar huge trade activities are expected to take place which will significantly increase the revenue collection of Pakistan. This will positively affect its economic growth and strength. Moreover, other business activities along with CPEC routes will also enhance revenue of Pakistan.

Increase in Exports:

The SEZs will enable Pakistan to transform from a consumer economy to a producing economy and help to increase its exports. This will also improve the balance of trade which is currently not in Pakistan's favour. It is expected that Pakistan will go for industrialized finished goods and tin packing industries which will enhance its revenue generation.

Pakistan should also look at exporting products but should also diversify their portfolio by strengthening and improving its banking, insurance, and tourism industries.

Development of the Backward Areas:

No doubt there is economic and developmental disparity in Pakistan. Under the umbrella of CPEC, projects have been installed in various parts of Pakistan and above that it makes way through various areas of Balochistan, KPK and Interior Sindh which are historically underdeveloped. So, CPEC can be the right recipe to minimize the gap of economic disparity between the developed and under developed areas of Pakistan.

Growth of Tourism:

Pakistan has great tourism potential and is blessed with archaeological, historic, religious sites, and cultural heritage that can catch the fancy of any tourist. Thus there is a big scope for hospitality business in Pakistan. The law and order situation in Pakistan is improving and now with accessibility to tourist destinations, it is easier than before. So, advent of CPEC can surely enhance tourism in Pakistan.

Energy Corridor:

Pakistan's unique geo-strategic location makes it an energy corridor. Its neighbours India and China are ranked among the top emerging economies of the world and to sustain their growth they need continuous supply of energy. On the other hand, Iran and some Central Asian States have abundant resources of natural energy.

Pakistan can connect these energy rich and energy consumers with each other besides fulfil its own domestic and industrial energy requirements.

Recently, Kingdom of Saudi Arabia (KSA) has just signed MOU to establish oil refinery at Gwadar. Through this refinery supply of oil could be started to China, India, Afghanistan and other potential clients. Moreover, East Punjab up to Delhi could also have a shorter access to port through CPEC. This can reduce India's cost price of export besides giving her accessibility to the markets of China, Afghanistan, Central Asian Republics, and Middle East. If such activities are started it could fetch huge economic benefits to Pakistan.

Support for Middle Class:

The economic changes that the CPEC will bring can be an economic boost that the Pakistani economy needs. It is expected that CPEC will create 70,000 jobs in Pakistan's market. The biggest advantage that it will bring is the entrepreneurial and job opportunities which can help Pakistan to strengthen and widen its middle class and to upgrade their social income groups.

Political Benefits:

No doubt good economy leads to political stability and enables a country to enjoy a higher position in the international power structure. Below are the expected political benefits of CPEC.

Stability in Conflict Zones:

Indeed, CPEC will bring a broad based security cooperation between Pakistan and China. An economic uplift for China will stabilize the situation in Xinjiang and the adjacent regions. On the other hand, CPEC will be an alternative to counter terrorism in Pakistan. It will provide misled elements with the economic opportunities which they lack before. The CPEC with its economic and employment related projects can be a ray of hope for the disturbed areas of China as well as of Pakistan.

Augmenting Naval Partnership:

Through CPEC, Pakistan and China would also get an opportunity to augment their naval cooperation in the fields such as joint exercises and countering piracy in Arabian Sea. This will also enable the two navies to counter any common threat to them or the CPEC. The improvement of China-Pakistan naval partnership is an outcome of CPEC which would create balance of power in Indian Ocean.

Better Political Standing of Pakistan in the Region:

Involvement of extra-regional states like Russia, UAE, Qatar, CARs and KSA in CPEC would provide these nations a greater access to our region through Pakistan which would enhance its standing and position regionally and internationally.

Deepening Political Ties with China:

China is the main stakeholder of CPEC and has put huge investments in this project and is keen to materialize its vision of BRI. So, China is treating Pakistan as an important ally therefore she has used her good offices to make Pakistan member of Shanghai Cooperation Organization. Besides, China also has been supporting Pakistan on various issues like Kashmir and Masood Azhar issue at different international forums. Such support has proven China's trust in Pakistan.

Strategic Strength:

Pakistan does not have a strong navy as compared to India's Blue Navy. Thus, defence of our coast lines is not that much strong. But with the presence of Chinese Navy, our security will be strengthened in the Arabian seas and our coastal areas will be better guarded and protected.

Promotion of People-to-People contact:

CPEC will also improve the people to people contact and will also increase cultural cooperation among the people of China and Pakistan. It is expected that in the next five years, China will provide 2000 training opportunities for Pakistanis and also

provide Chinese language teachers to Pakistan. These contacts will surely further strengthen the bilateral ties of both the countries and will also help them to get benefit from each other. This will open gates for track-2 diplomacy and Sino-Pakistan relations will be further strengthened.

Politico-Economic Challenges of CPEC for Pakistan:

Where CPEC gives a lot of opportunities and benefits at the same time it will pose some challenges for Pakistan and its people. These challenges are multi-dimensional and they are both internal and external. Now I will try to discuss the challenges that could be brought by CPEC.

Economic Challenges of CPEC:

Debt Servicing

Pakistan's liabilities have reached up to 75% of its GDP. Its circular debt primarily in the energy sector has also reached new heights so it reflects that its economy is not in a good shape. Some sections are calling CPEC as a debt trap for Pakistan and fear that it will not be able to return the Chinese loans and will have to make a Sri Lanka like compromise

Threat for Local Industries

The local industrialists are afraid that the CPEC will open gates for the Chinese companies and whatever market share they enjoy will be taken away from them. Pakistan-China trade deficit is favouring China and in the last five years it has tripled. The figure has reached up to \$12 billion in 2017. It is considered that Pakistan's free trade agreement with China is the basic reason behind this. It is stated that it dolls out incentives to the Chinese companies yet same incentives are not give to Pakistani competitors in China. Thus, market becomes uneven to compete with the Chinese companies for Pakistani industrialists.

Scarcity of Skilled Labour:

Pakistan's dilemma is that it lacks skilled labour for industries thus China will bring its own labour. This may lead to Chinese over presence and Pakistani labour would not be benefited from these opportunities.

Unfriendly Business Environment in Pakistan:

The structural environment in Pakistan is not business friendly. An investor has to face many obstacles to initiate a business. There is no one-window operation and a businessman has to confront with red tapism, slow procedures, corruption and lack of professionalism of various departments. So, with such conditions it would be difficult for a foreigner to invest in Pakistan or to initiate a business here.

Weak Services Sector:

Services sector like banks, insurance companies, maritime/transportation companies and hotel industry do not have capacity and professionalism. There are various elements that are in line to make decisions which makes decision making process sluggish. So, it is feared that Chinese professionals might dominate this sector too.

Political Challenges of CPEC:**Displacement of Locals:**

It is apprehended that the CPEC projects will cause displacement of locals particularly in Gilgit-Baltistan (GB) region where the cultivable land is already shrinking. This will have a great economic and political repercussion for the people of the area. This will also change the population dynamics which is being objected by many stakeholders in GB.

Security of the Chinese Officials and Installations

Pakistan has a precarious law and order situation. Though, in the past few years, Pakistan has made lots of ground in its campaign against terrorism yet the threat is still not over. On the other hand, opponents of CPEC are supporting such elements

to derail CPEC. The attack on the Chinese Consulate in Karachi points fingers in the same direction.

This makes the security of the Chinese nationals working in CPEC under grave threat. The threat is not only from the religious extremists but is also from the nationalist extremists particularly in Balochistan. The Chinese have borne many attacks and unfortunately some of them had to pay the ultimate price. As CPEC will grow bigger and stronger, the Chinese direct involvement will also be increased and such developments will be a challenge for our security forces to ensure safety of Chinese people and installation.

Challenges for US Supremacy in Indian Ocean:

No doubt China is challenging economic power of America. However, Chinese presence in the Indian Ocean will not be suitable to US and India nexus. They will try to keep their supremacy in the Indian Ocean and for that matter they can exploit the disputed status of GB and other means to derail CPEC. So, if US and India join hands it can pose political and strategic challenges to Pakistan.

Inter-Provincial Frictions:

The eastern and western routes in the CPEC could be destabilized to create disharmony among the provinces which could be dangerous for the integration and stability of Pakistan.

Distribution of CPEC Projects

When the CPEC started, the biggest debate was that who will get what? Provinces raised their reservations over the distribution of the projects. Some sections from Balochistan, the heart of CPEC, raised their qualms about the distributions of projects among the provinces. Such controversies cannot be good for the federation of Pakistan and can give the detractors of CPEC with a loophole to exploit.

Politicization of CPEC

Since the inception of CPEC many political parties have used it for political gains. It is imperative to understand that CPEC is not merely a political entity or gimmick. It is serious state to state business which has the potential of changing the fortune of our countrymen. It should stay apolitical. Some ministers of PTI government initially gave loose statements about CPEC. Indeed, such statements went in a bad taste. Moreover, it could hamper cordial relations of Pakistan with China. So, all the stakeholders of Pakistan should refrain from politicizing CPEC for their own political gains.

The Way Forward:

CPEC is viewed with both hope and suspicions. Many believe it to be a game changer for Pakistan and the region. On the other hand, some sections in the country perceive that it is a trap which will lead Pakistan and the region to a situation where China will have monopoly.

However, if Pakistan plays its cards with prudence, surely can have benefits from this project. For this, Pakistan is needed to take some steps that will help her to achieve its goal of actualizing the CPEC potential. Pakistan should have inclusive approach and look for more partners in CPEC. Recently, we have seen that KSA has shown its willingness to invest in different projects of CPEC while China has also its consent to it. This initiative will not only minimize opposition but will also diversify the CPEC portfolio. This will help Pakistan to expand the prospects of CPEC and increase opportunities for business.

The government should make sure that it follows fair and transparent policies and there should be just distribution of CPEC projects among the provinces. Priority should be given to underdeveloped areas like GB, Interior Sindh, erstwhile FATA and Balochistan. Any attempt to politicize CPEC or use it for political purposes should be handled carefully.

Government should device such incentives which make sure that the local people should get maximum dividend out of the CPEC projects. It is very important that the local industries should be supported and protected. Otherwise, local industries would be of no competition. Moreover, the government should public all the details of CPEC and also renegotiate the agreement which is not in the interest of Pakistan. It is imperative that all political parties and stakeholders should be on one page and a consensus should be evolved among them. So, change of government in Pakistan will not change its policy about CPEC for its long-lasting effects. As repeatedly said CPEC has a great potential for us but it is also in our own hands to materialize its potential. Otherwise it will be another opportunity lost and wasted.

Enemy countries will surely try to sabotage the project and in Kulbhushan episode we have clearly witnessed that to what extent they can go. So, one should not fear if objectives are great therefore it goes without saying that “when one sails in an ocean then one should get ready to meet big tides”.

PRESENTATION

Dr. Samina Sabir

Coordinator, CPEC Centre, University of Azad Jammu & Kashmir, Muzaffarabad

Socio-Economic Impact of Hydro Power Projects on Economy of Pakistan

It would be worth sharing that the share of Azad Kashmir in the GDP of Pakistan is 2.3% while the share of AJK's population in the total population of Pakistan is 1.950%. The low performance of Azad Kashmir's economy is not due to lack of economic potential but due to the under-utilization of natural and human resources. In this particular case, the main focus is on the under-utilization of hydropower potential while three rivers flow from Azad Jammu and Kashmir. Pakistan has been facing severe energy crisis since 2007. We still face an average shortfall of about 4000 MWs and electricity is needed in every sector of the economy especially the industrial sector. It is evident that we have ignored the development of our power sector. Fortunately, Azad Kashmir is having a hydropower potential of 8000MW in the medium term and 18000MW in the long run. It is indeed sufficient to address the acute energy crisis facing Pakistan and contribute to its development. In 2017, the Patrind hydropower project was completed with an installed capacity of 147MW. In February 2018, first phase of Neelum Jhelum hydropower became operational and now supplies about 324 MW of 969MW electricity to the national grid. On average, Azad Kashmir produces about 2616 MW electricity and contributes to the socioeconomic development of the country.

CPEC is a path breaking both for China and Pakistan and consists of four major components; road networks, hydroelectric projects, optic fibre and the special economic zones. CPEC is important for Pakistan to overcome its economic issues, choke energy crisis and rural urban connectivity problems. For China, it is important to secure its energy and gas supply routes, to explore the south Asian and Central Asian Markets to absorb its excess supply and last but not the least to maintain its global dominance. CPEC projects in AJK would not only lead to infrastructure development in the form of energy and roads but will also be like catalysts for

providing an incentive to the fast growth of its potential industry of tourism. The Karot hydroelectric project has been started in 2017 with a capacity to produce 720MW electricity at an estimated cost of about \$1420 million. Another energy project in Kohala Muzaffarabad is being planned to produce 1124MW of electricity and its estimated cost is \$2397 million.

The objective of these hydroelectric projects is not only reducing the acute energy shortage but also to raise the living standard of people by providing employment opportunities that will ultimately bring down poverty. The objective of my research was to examine the impact of Karot hydropower projects under CPEC on real GDP and total exports to other countries and also to examine the impact of CPEC Karot hydro-power projects on production of other sectors and real factor wages. In this study, we analysed the impact of Karot hydroelectric project started in Azad Kashmir on the real GDP and total exports through the computational general equilibrium model (CGE). Secondly, we also estimated its impact on growth of output of different sectors of Pakistan such as agriculture sector, manufacturing sector, transport and communication and services sector. Using CGE model, we also simulated the impact of Karot hydropower project on real wages of labour. We used two types of data sets to achieve our objectives; Social accounting Matrix (SAM) of 2010-2011 and Global Trade Analysis Project (GTAP) power data base.

Table1: Impact on Pakistan Real GDP and Exports

Variables	US million dollar
Real GDP	141
Pakistan Exports	61.2

The Sectoral Impacts

Variables	Sim-1
Grains and Crops	-0.2393
Vegetables and Fruit	0.2810
Meat Live Stock	0.1856
Extraction	0.5362
Processed Food	0.2663
Leather	0.2471
WAP	0.2121
Textile	0.229
Light Manufacturing	0.4362
Heavy Manufacturing	0.8514
Transport Communication	0.1659
Financial Services	0.0012
Business Services	0.2596
Oth Services	0.3637

Table3: Percent changes in Real Factor Wages in Pakistan

Factor codes	Factor description	Sim-1
flab_s	Labor-Small Farmer	0.1980
flab_m	Labor-Medium Farmer	0.2023
flab_w	Labor-Farm Worker	0.2155
flab_l	Labor-Non-Farm Low Skilled	0.1895
flab_h	Labor-Non-Farm High Skilled	0.1955
flnd_s	Land-Small	0.1762
flnd_m	Land-Medium	0.1799
flnd_l	Land-Large	0.1840
fliv	Livestock	0.2619
fcap_a	Capital-Agriculture	0.1847
fcap_f	Capital-Formal	0.1457
fcap_i	Capital-Informal	0.1968

The conclusions drawn by this study are that during the implementation of CPEC projects; special attention has been paid to the energy crisis that Pakistan has been facing since 2007. Therefore, two hydropower projects, named Karot Hydropower project and Kohala hydropower project, have started in Azad Kashmir to utilize the natural resource in the form of water. This study found that investment in the Karot hydropower project is helpful in improving the development of the country through

increase in real GDP and total exports to foreign countries. It is seen that an incremental investment of \$1.42 million in hydropower project, it would increase the real GDP by \$141 million and total exports boost up by \$61.2 million. Particularly an increase in energy production in the form of electricity will enhance the productivity of manufacturing, textile, transport and communication and agriculture sector. At the initial stage of development, local resources will be utilized and infrastructure will be built. With the development of infrastructure, the industrial sector will also progress gradually. From the results of simulation, it is revealed that real wages of skilled and unskilled workers will increase. The investment in hydropower project will increase returns to capital in the form of price of capital and also enhance the rental price of land. Overall this project will enhance the wellbeing of workers due to increase in their real wages.

PRESENTATION

Dr. Saranjam Baig

Director, Center for Research on CPEC, Karakoram University, Gilgit,

Tourism Potential vis-à-vis CPEC: A Case of Gilgit-Baltistan

Many countries around the globe, both developing and developed, have had successfully implemented tourism-based development and growth models. However, Pakistan has yet to develop a comprehensive strategy to use tourism as an alternate tool for development of underdeveloped regions. One such region is Gilgit-Baltistan. Having no industries at all and having no enough land for cultivation, services sector shoulders the main responsibility to provide employment to the local labor force. Since the infrastructure and communication were restructured under the aegis of CPEC, the region has witnessed an unprecedented inflow of tourists featuring an emerging south-south or domestic tourism trend. I call it "CPEC-Tourism". Restoration of peace and mitigation of the sectarian violence in the region, as a by-product of the CPEC, harbingers the revival of foreign tourism as well as augurs a new era of inflow of Chinese tourism to Gilgit-Baltistan. CPEC brings hope. However, planning is needed to take advantage of its indirect benefits.

In 2015, Pakistan and China signed the multi-billion economic agreements under the aegis of the China-Pakistan Economic Corridor (CPEC). Analysts and researchers consider this mega project as a lifeline between the two all-weather strategic partners. As the mega-project includes investments on infrastructure and energy, it has been argued that the investments under CPEC will transform Pakistan's economy and help overcome its power shortage. Despite the ubiquity of academic literature examining the implications of CPEC, its indirect effects and impacts have rarely merited the attention of both academics and policymakers. In this backdrop, the purpose of my talk is to highlight the importance of tourism as an important by-product of CPEC. In the years after the initiation of CPEC projects especially the expansion and metaling of Karakoram Highway (KKH) and construction of seven tunnels along the KKH has resulted in unprecedented inflow of tourists to the

northern Pakistan. It's imperative to examine how this economic opportunity could be channeled into prosperity and development, and how risks and threats can be mitigated that may accompany the prospects.

Because CPEC is based on the principles of economics, getting maximum out of it is conditional on proper planning. This statement also applies to the indirect benefits of CPEC such as "tourism". The region is experiencing skyrocketing unemployment coupled with high literacy rate. However, entrepreneurial culture among the educated youth is taking up. The "CPEC-Tourism" provides the governments, both provincial and federal, with an opportunity to leverage its benefit to tackle the unemployment. If handled properly, the "CPEC-Tourism" has the potential to tackle poverty. Given that Tourism, in this global era has found its potential as an engine of growth for a country, it's yet to be examined if the existing policies and strategies on tourism are sufficient to cater the needs of unprecedented tourist inflows owing to the better infrastructure and communication facilities under aegis of the CPEC. It can be regarded as a mechanism of generating the employment as well as income in both formal and informal sectors. The CPEC 'Long-term Plan (LTP)' provides the mandate to the policymakers to consider tourism as a tool for prosperity and development:

"China and Pakistan should further exploit the potential advantages of the tourism resources in the regions along the CPEC, especially the China-Pakistan border areas. They should actively research comprehensive development of coastal tourism within the CPEC coverage, with Gwadar and Karachi as the hubs, expand cross-border tourism and improve the quality of tourism services to effectively promote the socio-economic development of the two countries."

The Region

Gilgit-Baltistan is a quasi-province in the north of Pakistan. It is endowed with natural beauty, highest peaks, glaciers, fresh water, lakes, and valleys. The region is also home with to several cultures and ethnicities. It has been center of attention for tourists from around the globe. Moreover, Gilgit-Baltistan is located at a junction of neighbouring countries including Central Asian countries and China. However,

deteriorating security conditions as well as inadequate infrastructure have been the major constraints in fully tapping the tourism potential. Besides its natural attractions, historically, the region has been strategically important being the gateway to Central Asia. Today, being the gateway to CPEC, the region is witnessing improved road infrastructure and better communication systems. Likewise, the revival of the peace and stability is yet another by-product of the CPEC. All these factors are promoting the tourism industry in Gilgit-Baltistan. A 'policy window' in the shape of 'CPEC-Tourism' is open for the policymakers. Despite that the tourist inflow has been increasing, its sustainability, translating the positive effects into development, efforts to mitigate the negative effects, and crafting a roadmap to adopt it as a strategy for improving livelihoods is still required.

Overview of the past, present and future trends in tourism:

International Tourism:

The economy of Gilgit-Baltistan was dependent on tourism, especially the foreign tourism, before the events of 9/11. The tourism industry collapsed after 9/11 and resulted in unemployment that eventually turned the economy into recession. The official figures show that the number of tourists visiting Gilgit Baltistan has steadily increased over the years, notwithstanding the dip-in figures immediately following 9/11. Arrival of international tourists did not start reviving until 2007 when there was a significant improvement as the tourist arrival increased to 10338. After 2007, owing to the army operations against terrorists in Swat, a sudden decline was recorded in tourist arrivals, which couldn't recover until 2016 only to drop again in year 2017.

Domestic Tourism:

After the year 2013, the inflow of domestic tourists drastically increased and has been increasing since then. In year 2017, the region witnessed a record number of domestic tourist arrivals. CPEC has been instrumental in attracting the domestic tourism. Along with expansion and metaling of the 332 km long KKH (Raikot to

Khunjerab), partially completed in year 2013 and completed in 2015, improvements in communication networks, and restoration of peace and stability, as the by-products, have been the major factors behind the record inflow of tourists to the region.

Future Trends. Future is about the Inflow of Chinese Tourists to the region:

In the years to come, it's expected that the region will experience an influx of tourists from China. And as the CPEC' Long-term Plan (LTP) outlines, "China and Pakistan should further exploit the potential advantages of the tourism resources in the regions along the CPEC, especially the China-Pakistan border areas." Gilgit-Baltistan is not only the gateway to CPEC but a good chunk (450km) of the region lies along territorial alignment of CPEC route from Khunjerab to Chilas. Second, the expansion of KKH in Pakistan and China Friendship Highway in China has the potential to promote tourism in the country, especially in Gilgit-Baltistan. Third, businesses and communities in the region are ready to take advantage of the expected opportunity.

Finally, the big question is how "CPEC-Tourism" can be leveraged for improving the quality of life in the region: However, the challenge ahead is not merely to increase the number of tourists visiting Gilgit Baltistan but also to consider how tourism can be better promoted without affecting the natural and cultural heritage of the area, while also improving the quality of life of people to the desired levels.

Leveraging "CPEC-Tourism":

Pro-poor Tourism: Not all the districts in Gilgit-Baltistan are getting benefits alike. Inequality among the districts regarding tourist inflow needs to be addressed on priority basis. Tourists prefer to visit areas with better infrastructure and living facilities. Making the tourists visit to the neglected districts, which are equally rich in natural attractions, is conditional upon the government's planning. A nuanced tourism policy that provides incentives to tourists to visit under-visited areas and encouraging the investors to invest in hoteling in these areas seems imperative at this stage.

Microenterprises and Investment Opportunities: The increase in tourism is directly correlated with increase in businesses of the allied industry. In the recent year, the upward trend in tourist inflow has resulted in mushrooming of guest houses, hotels, restaurants, transportation services, and microenterprises. The unprecedented increase in domestic tourism has attracted investments from various sectors. Making it sustainable and pro-poor merits the attention.

Public Diplomacy:

As Long-term Plan (LTP) of the CPEC outlines the importance of people to people connections, it can be used to promote mutual understanding and people to people contacts will strengthen public diplomacy. Such endeavors will also strengthen the existing ties of deep-rooted friendship between the two nations.

Developing a CPEC-Tourism Master Plan for Gilgit-Baltistan:

During the regime of Ayub Khan in 1960s, the government drew up a 'master plan' for the development of tourism in Pakistan with the help of French consultants. The government invested large sums in the development of three forms of tourism in Pakistan: religious, archaeological and recreational. A plan based on the same foundations but introducing three new forms of tourism as sub-sets of CPEC-Tourism such as Eco-Tourism, Tourism for Neglected Areas and Cultural/Heritage Tourism can help sustaining the benefits of the "CPEC-Tourism.

I would like to sum up by saying that tourist numbers themselves don't reflect improvements in the quality of life in the destination places. Making the numbers translate into prosperity and making them inclusive for segments of society and areas is conditional upon will and planning. CPEC provides this opportunity.

PRESENTATION

Syed Tanvir Abbas Jafri

Director, COMSATS Chinese Study Centre, Islamabad

Poverty Alleviation: Learning from Chinese Experience

My presentation will provide a glimpse of what was the poverty situation in China and what measures were taken to control the issue. A few salient features of this 'Chinese Miracle' of alleviating poverty are as under:

- According to the International Poverty Reduction Centre China (IPRCC), about 700 million people have been raised from poverty in 30 years from 1986-2016.
- This can be translated as 70% of the World's poor having been lifted out of poverty.
- According to the World Bank's statistics, 500 million people were lifted out of extreme poverty in China from 1981 to 2012 which brought down the incidence of poverty from 88 % to 6.5%.
- Currently the incidence of extreme poverty in China is 1.8% (IPRCC).
- Presently only 30 million Chinese or about 2% of the population, is living below the poverty line. (criteria used is of \$1.9 per day income).
- China has targeted total eradication of Poverty by 2020.

These feats were achieved by China through setting goals and working hard to achieve them. The poverty reduction goals set up by China are as under:

- Food & Clothing Security
- Compulsory Education
- Compulsory Medicare

- Compulsory Housing
- Rural poor to have income growth greater than national average
- Same level of welfare services to all.

The policy initiatives required to set and complete these goals are:

- Industrial development
- Relocation
- Eco-compensation
- Education

A seven pronged strategy was adopted to take measures at the institutional level for poverty reduction:

- Registration system for population under the poverty line
- Policy System
- Investment system for allocating money to each sources.
- Assistance system
- Social mobilization system
- Multi-channel, all-around supervision system
- Assessment system

China's poverty reduction experience explained in the following diagram:



Pakistan can learn important lessons from this cycle of approaches used to alleviate poverty in China. The approaches taken up for poverty alleviation are also listed as under:

- Rigorous, targeted and result oriented Poverty Alleviation Interventions / Programs.
- Creation of enabling Environment for Exports promotion and growth.
- Promotion of local business and Industry along with Special Economic Zones.
- Agriculture reforms targeting rural Poverty.

On the other hand, the incidence of poverty according to the 2017-2018 Economic Survey is 24.3%. While there are several poverty reduction initiatives in Pakistan such as the Pakistan Bait ul Maal, Zakaat Program, Benazir Income Support Program, Rural Support Programs: (NRSP, PRSP), Social security Programs, Workers welfare fund / EOBI, Sehat Insaf Card, Philanthropy and Madrassa Funding. Some other programs are NGO driven poverty Alleviation programs (Al khidmat, Akhuwat and Behbud foundations), micro finance initiatives to encourage

people to earn livelihoods through small businesses. (Khushali Bank, Pakistan Poverty Elevation Fund, ZTBL), Zakat, Workers Welfare fund, Interest free & Business Loans, Freelancing, E- commerce, Incubators and etc. Different lessons for Pakistan's case include:

- Long-term planning as poverty cannot be abolished overnight.
- Targeted approach
- Sectoral approach
- Regional approach
- Improved governance
- Establish institutional systems
- Improved Infrastructure
- Ease of Doing Business
- Proper Implementation

Policy gaps must also be addressed through making all these institutions synergetic with one another through proper coordination. Innovative interventions must be carried out through forging public-private partnerships. It is also important to control the exponential population growth in Pakistan.

CONCLUDING REMARKS CHAIR

Lt. Gen (R) Abdul Qayyum
Member Senate of Pakistan

I appreciate the Institute and the China-Pakistan Study Centre for putting together such an informative national conference. I commend the speakers for their valuable presentations.

Ladies and Gentlemen:

After the second World War, the world entered into an era of the Cold War. The Cold War divided the world into different blocs. After the Cold War, the world has now entered into a phase of trade wars which demands connectivity among these different blocs or regions. China-Pakistan Economic Corridor (CPEC) is not only a project but a concept of connectivity. An off shoot of the Belt and Road Initiative (BRI); CPEC is one of the six corridors envisioned under BRI and is pivotal to the very concept of BRI. It is like a 'zipper' which connects the maritime silk route, the land silk route and even the air route which will be possible after making the Gwadar airport operational. This will have not only an economic impact on the regional level but also a strategic one. As far as Pakistan is concerned; our fundamental interests from CPEC include: the revival of our agricultural sector as we are an agrarian society, industrial growth, development and broadening of our export base capacity, inviting investment, energy and water security and vocational training, among many others.

It has been very rightly pointed out by our speakers today that the socioeconomic potential of CPEC projects and their connected dividends must be highlighted and their fulfilment must be ensured. Another valuable idea that came out of this session was that of the development of the tourism industry in Pakistan through CPEC. It is important to mention here that even before 9/11, the tourism industry in Pakistan was not that well-developed. We also talked about poverty alleviation strategy adopted by China that brought down the incidence of poverty to a meagre 1.8% in China while that of Pakistan stands at 24.3%. In China, about 300 cities have been

connected through their network of fast trains while here in Pakistan the entire system of railways needs revival. Road networks, railways, highways and motorways are crucial to prosperity as they increase educational, health and business opportunities.

In end I would like to emphasise that we must set attainable goals and targets while also developing contingency plans in case of unforeseen circumstances.

VOTE OF THANKS

Ambassador Khalid Mahmood
Chairman, Board of Governors, ISSI

It has been a very productive and an intellectually stimulating day. We have discussed in great details about furthering China-Pakistan economic relations that is mutually beneficial for people of both of our countries. China and Pakistan share a long and trusted history of strategic relationship which is now being bolstered by the economic component.

We have discussed today a wide range of issues linked to Pakistan China economic relationship ranging from China-Pakistan Economic Corridor (CPEC) to special economic zones, Blue economy, regional connectivity and learning from Chinese experience of poverty alleviation. The learned speakers gave their viewpoints about challenges and opportunities in all these domains and the way forward to enhance this bilateral partnership to new levels.

I hope that these recommendations will make an impact in the relevant policy making echelons in both Pakistan and China.

I would just like to add that the global political and economic order, built by victors of the WWII, is undergoing profound changes. The core element of this change involves abandoning free trade in favour of protectionism and trade wars. The political expression of this evolving change is re-erection of walls and borders and the nationalistic, xenophobic sentiments across the globe particularly in the West. While there is a genuine dissatisfaction and anger against free market model, the present alternate of economic nationalism does not seem viable too.

China has taken the mantle of providing a new economic cooperation model based on Win-Win cooperation and President Xi Jinping has presented his vision of cooperative international economic order on various world forums. China-Pakistan economic relationship will be a key component of this new model of economic cooperation and we hope that it will be a resounding success for others to emulate.

I, on behalf of the Institute of Strategic Studies and the entire team, particularly its China-Pakistan Study Centre, and on my own behalf extend a very hearty vote of thanks to all speakers for gracing this event today and sharing with us their findings and opinions on an important subject.

PICTURES OF THE EVENT









China-Pakistan Study Centre (CPSC)

China and Pakistan have continued to forge cordial relations since establishment of diplomatic ties in early fifties. The two countries have a history of cooperation in all important areas of mutual interest. Thus, relations of both countries have over the period of time grown stronger and meaningful.

Given the traditional warm and friendly relations between Pakistan and China, it is important to learn about various facets of this unique relationship and evolving regional and global scenarios. In this context CPSC was established in 2007 and reinvigorated in 2016. CPSC aspires to be a centre of excellence devoted to strengthening relations between Pakistan and China through research and advocacy. CPSC undertakes research and produces dedicated publications on select themes concerning relations between Pakistan and China. The Centre provides policy inputs to the Government of Pakistan on current and future direction of Pakistan-China relations.



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