

## CPEC: CAPACITY BUILDING FOR EMPLOYMENT AND INDUSTRIAL GROWTH

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*(Views expressed in the brief are those of the author, and do not represent those of ISSI)*



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Investments in capacity building along the China-Pakistan Economic Corridor (CPEC) hold significant potential to drive economic growth in both countries. Capacity development, which includes the enhancement of human, institutional and physical resources, is essential for increasing productivity, efficiency and sustainability. It is imperative to prioritize investment in capacity development along the CPEC route. By directing investments into infrastructural development, skills upgrading and industrial expansion along the CPEC route, China and Pakistan can unlock opportunities that foster sustainable economic progress.

Capacity building is a process to enhance and improve skills, abilities, and resources that organizations or individuals require to adapt in the evolving world.<sup>1</sup> It can be done through collaboration in various educational and training programs, to equip individuals with the necessary knowledge and skills that enable them to participate in organizational growth more effectively. When individuals or organizations are equipped with the necessary skills and knowledge to plan, implement, and maintain infrastructure projects effectively, it leads to improved outcomes, increased efficiency, and reduced risks.

Capacity building initiatives can also stimulate industrial growth. As industries grow and diversify, they attract more investments and create a domino effect that drives economic development. The

<sup>1</sup> "Capacity Building," United Nations, accessed March 31, 2024, <https://www.un.org/en/academic-impact/capacity-building>.

industrial zones and infrastructure projects related to CPEC such as roads and energy projects require a significant workforce. To participate in such projects, states need to invest in training programs and skill development initiatives to ensure that their population is equipped with the requisite skills.

Skill development and technical training programs have been identified as sectors of potential cooperation that can not only improve public diplomacy but also improve people-to-people connections. In this way, initiatives such as the MoU between the China-Khyber Pakhtunkhwa Communications Center and the Pakistan-China Technical and Vocational Institute in Gwadar illustrate bilateral initiatives of Pakistan and China that provide training and offer relevant skills to the youth in Pakistan. Another MoU was recently signed on February 15, 2024, between the Higher Education Department Khyber Pakhtunkhwa and the Cultural Communication Center of CPEC with the aim to equip 200,000 students with digital skills, develop a skilled workforce and expand employment opportunities<sup>2</sup>.

CPEC, the \$62 billion project, aims to connect China's Xinjiang province to the Arabian Sea and Indian Ocean via the Gwadar port through a network of roads, railways and energy projects. Continuous and steady capacity building is required to fully realize the potential of CPEC, particularly focusing on employment and industrial growth. Through CPEC, Pakistan has the potential to become an industrial and manufacturing hub, creating employment opportunities and integrating the country into global production and trade networks.

By the end of 2022, CPEC had created 155,000 local jobs for Pakistani people out of 236,000 jobs, including white-collar jobs and blue-collar jobs<sup>3</sup>. However, it is important to acknowledge that a significant percentage of high-skilled jobs remain inaccessible to the Pakistani workforce. Closing this gap requires capacity building through up-skilling and re-skilling of the existing workforce, ensuring that local people can access and excel in these more skilled positions. The MoU between the Cultural Communication Center (CCC) of China and the KP government, and the establishment of the Technical Vocational Institute in Gwadar are important steps in this regard. This emphasis on skills development is essential not only for reducing unemployment but also for effectively combating poverty in the country. Moreover, Pakistan's female labor participation rate is among the lowest in

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<sup>2</sup> Buner, A. (2024) KP inks MoU with CPEC Center to train 200,000 students in digital skills, PAKISTAN TODAY. <https://www.pakistantoday.com.pk/2024/02/16/kp-inks-mou-with-cpec-center-to-train-200000-students-in-digital-skills/> (Accessed: 3<sup>rd</sup> March, 2024).

<sup>3</sup> CPEC created 155,000 jobs in Pakistan and keeps growing after a decade (2023). <https://cpecinfo.com/cpec-created-155000-jobs-in-pakistan-and-keeps-growing-after-a-decade/> (Accessed: 17<sup>th</sup> March, 2024).

South Asia and globally, with only 20 percent of the workforce being female<sup>4</sup>. To help address this challenge, China and Pakistan can collaborate on skill development projects to enhance capacity. By providing training and education programs specifically tailored to meet the needs of women and their capacity building, the prospects of women's participation in the skilled labor market can be significantly enhanced; this will also help in promoting gender equality.

These mutually beneficial initiatives highlighted above can not only strengthen bilateral relations but also create economic prosperity. China gains access to new markets, while Pakistan can enjoy increased Foreign Direct Investment, job creation, technology transfer and infrastructure development. The technology and knowledge transfer will benefit Pakistan in the long term. Similarly, China will also benefit from Pakistan's skilled workforce. This represents a valuable opportunity for young people in both China and Pakistan to benefit from this collaboration.

Overall, capacity building is an essential factor for the success of development projects, such as the ones concerning China-Pakistan Economic Corridor. In an environment where technology and industry are constantly evolving, providing training ensures that the workforce possesses the updated skills demanded by the industry. A well-educated and trained workforce is an important driver of economic development and supports a dynamic and competitive economy. Investments in the skills of the local workforce contribute to the sustainable development of not only Pakistan but also the region. As local workers acquire diverse skills, they become employable across various sectors related to the China-Pakistan Economic Corridor (CPEC), expanding beyond constructions to include maintenance, logistics, and project operations. Moreover, the efforts to boost female labor force participation, not only empowers women but also enables them to significantly contribute to the sustainable economic development of the country.

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<sup>4</sup> World Bank Group (2022) Supporting legal reforms to increase women's workforce participation in Pakistan, World Bank. <https://www.worldbank.org/en/results/2022/07/07/supporting-legal-reforms-to-increase-womens-workforce-participation-pakistan> (Accessed: 3<sup>rd</sup> March, 2024).