

## IMPERATIVES AND IMPLICATIONS OF ACCELERATING CPEC PHASE-II

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Recent advancements in China Pakistan Economic Corridor's Phase-II reflect a major progression in China-Pakistan bilateral cooperation. In recent meetings and public appearances, Chinese diplomats have emphasized that the expedited work on Phase-II demonstrates both countries' commitment to realizing their shared vision of a prosperous future. Moreover, the introduction of five new corridors—such as the Corridor of Information, Corridor of Job Creation, Innovation, Green Energy, and Inclusive Regional Development—illustrates CPEC's strategic diversification beyond traditional infrastructure projects.<sup>1</sup>

As a linchpin of Pakistan-China strategic relationship, the China-Pakistan Economic Corridor (CPEC) is of great importance in the context of both bilateral relations and regional cooperation. CPEC strengthens cooperation between Pakistan and China, fostering economic links and paving the way for long-term shared prosperity. Moreover, the potential influence of CPEC goes beyond bilateral ties, as its extensive infrastructure network has the ability to improve regional connectivity and promote economic growth in South Asia, Central Asia, and the West Asia. The CPEC is the flagship project of President Xi Jinping's Belt and Road Initiative (BRI). It reinforces the common goals of future prosperity and regional integration.

<sup>1</sup> NNPS Desk, "New Govt Gears up Efforts to Start Work on 5 New Economic Corridors," Associated Press of Pakistan, March 13, 2024, <https://www.app.com.pk/business/new-govt-gears-up-efforts-to-start-work-on-5-new-economic-corridors/>.

Chinese diplomats have reiterated their commitment to expedite the project for mutual benefit, emphasizing for the accelerated progress of CPEC phase II. This reflects China's dedication to strengthening its strategic partnership with Pakistan through tangible economic cooperation.<sup>2</sup> Additionally, Phase-II will be expedited, and a Working Group tasked with creating five new economic corridors will be established, according to understandings reached between Pakistan and China. This cooperative endeavor reflects the common dedication to furthering the goals of CPEC and optimizing its possible influence on regional connectivity and economic development.

Assuring coherence and synergy with the nation's larger development goals is the reason for the need of aligning CPEC with the framework of Pakistan's Planning Ministry. The collaboration becomes more effective and lasting when CPEC projects are integrated with Pakistan's national priorities, which include programmes related to renewable energy, innovation, and job development. Additionally, the need of creation of concept papers for every corridor is of utter importance as it makes it possible to create a strategic roadmap that gives implementation clarity and direction. This strategy ultimately contributes to the long-term success and socio-economic advantages of the CPEC projects by improving transparency, facilitating decision-making, and fostering more accountability in their execution.

In this regard, a well considered plan has been put up by Pakistan's Minister of Planning to optimize the performance of Special Economic Zones (SEZs). Using the "one plus four" model as a guide, this strategy pairs each SEZ in Pakistan with a Chinese province, an industry group to create specialized clusters within the SEZs, a Chinese SEZ to supply technical assistance, and a state-owned enterprise to lead SEZ development.<sup>3</sup>

SEZs can leverage the resources and experiences of China and Pakistan through this cooperative framework, creating a favorable environment for investment and economic expansion. Pakistan needs to expedite the operationalization of Special Economic Zones and increase their appeal to investors by collaborating with China's industrial might and capitalizing on its SEZ development experience.

These cooperative frameworks will have a significant impact on Pakistan's ability to draw Foreign Direct Investment (FDI) and accelerate economic growth. Through cooperation with China, Pakistan can enhance the efficiency of SEZs and establish industry-specific clusters that stimulate innovation

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<sup>2</sup> "Chinese Diplomat Says Work on CPEC Phase-II Being Accelerated," DAWN, March 17, 2024, <https://www.dawn.com/news/1821988>.

<sup>3</sup> 1. Xinhua News, "Pakistan to Develop 5 Economic Corridors under CPEC: Minister," Xinhua, accessed April 22, 2024, <https://english.news.cn/20240314/5288eb82af664ede8836c3a31d204e97/c.html>.

and economies of scale. This in turn can draw in both foreign and domestic investment, open up job possibilities, and promote prosperity and general economic progress. Further, Pakistan stands to gain from enhanced trade prospects and regional connections by aligning SEZ development with China's Belt and Road Initiative and CPEC, further boosting economic development.

There are substantial economic advantages for both China and Pakistan in accelerating CPEC Phase-II. Firstly, by building and managing infrastructure projects, particularly in industries like construction, logistics, and services, CPEC can promote job creation. Second, CPEC may help both nations grow innovative industries and skilled labor by encouraging innovation through technology transfer and cooperation. Thirdly, Phase-II can increase export capacities by lowering trade costs and enhancing connectivity, giving companies greater access to markets.

In this context, it is important to be cognizant of the challenges as well. Security issues, such as the recent attacks on Chinese nationals in Pakistan, may hamper accelerated advancement of CPEC. Pakistani and Chinese officials are putting in combined efforts to cope with the security challenges relevant authorities on both sides are liaising in this regard.<sup>4</sup>

Moreover, in case of investment and fiscal management, a critical strategic focus is to streamline investment processes through the establishment of the Special Investment Facilitation Council (SIFC) proposed in June 2023.<sup>5</sup> The engagement of global consultants must adhere strictly to relevant regulations. The Prime Minister emphasized leveraging the nation's skilled workforce to attain strategic objectives. Key strategic targets over the next five years include reducing foreign debt burdens, boosting GDP, fostering job creation, advancing agriculture and IT sectors, implementing energy sector reforms, and curbing smuggling.<sup>6</sup> These initiatives aim to propel the country towards self-reliance and self-sufficiency, transforming its economy.

Addressing structural impediments, inadequate infrastructure, and the scarcity of trained personnel, along with issues of incompetence and inefficiency, is imperative to achieve economic stability, social progress, and sustainable growth in the foreseeable future.

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<sup>4</sup> AP News, "Chinese Investigators Arrive in Pakistan to Probe Suicide Attack That Killed 5 of Its Nationals," AP News, March 29, 2024, <https://apnews.com/article/pakistan-chinese-investigators-suicide-attack-b4cbe79da8468afd5bd636c280fd1f27>.

<sup>5</sup> Investment Policy Hub, "Pakistan - Establishes the Special Investment Facilitation Council (SIFC): Investment Policy Monitor: UNCTAD Investment Policy Hub," Pakistan - Establishes the Special Investment Facilitation Council (SIFC) | Investment Policy Monitor | UNCTAD Investment Policy Hub, accessed April 22, 2024, <https://investmentpolicy.unctad.org/investment-policy-monitor/measures/4366/pakistan-establishes-the-special-investment-facilitation-council-sifc->.

<sup>6</sup> Dr Mehmood Ul Hassan Khan, "CPEC Phase-II and Government's New Roadmap," Pakistan Observer, April 2, 2024, <https://pakobserver.net/cpec-phase-ii-and-governments-new-roadmap/>.

Furthermore, it is also critical to strike a balance between social responsibility, environmental sustainability, and economic prosperity. The quick expansion of CPEC must prioritize sustainable practices and take environmental effects like pollution and habitat degradation into account. Social responsibility also means making sure the economic benefits of CPEC reach the local communities through fair labor practices, community development projects, and cultural preservation programmes. Achieving this balance is crucial to maximizing CPEC's long-term advantages while reducing its negative effects on the environment and people.

In conclusion, through promoting trade and economic cooperation, mitigating security concerns, facilitating investment, and managing threats to economic stability, CPEC has the potential to promote stability and prosperity not only in Pakistan but also the broader region. Improving trade facilitation and connectivity can help neighboring countries, as well as China and Pakistan, by generating jobs, developing infrastructure, and raising living standards. CPEC helps to create a more affluent and connected South Asia and beyond by fostering shared interests and fortifying regional ties.