

04 CORRIDORS, CULTURE & CONNECTIVITY

September, 2017

THE REALITY OF CHINA-PAKISTAN ECONOMIC CORRIDOR (CPEC): FACTS Vs. FICTION



Anam Kuraishi
Mustafa Hyder



Pakistan-China Institute

Corridors, Culture & Connectivity

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ABSTRACT

Since the MoU between the governments of Pakistan and China was signed on CPEC on April 20, 2015 during the visit of Chinese President Xi Jinping, CPEC has been a subject of much discourse. Some have raised questions ranging from the tangible benefits that the Pakistani citizens will acquire to the burden this project might be on the current fragile Pakistan's economy. The aim of this paper is to provide accurate information on CPEC and the impact that CPEC will have on Pakistan's economy and the people of Pakistan. Furthermore, this paper aims to bridge the information gap and provide a holistic picture of the facts about CPEC and disengage the fictions and misperceptions associated with the overall project. The paper will provide insights into the public perception of people regarding CPEC, highlight the progress made on the projects under CPEC since its inception, provide insights of significant stakeholders, and provide a picture of what CPEC promises for the future.

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Anam Kuraishi is a recent graduate from the London School of Economics (LSE) with a MSc. in Comparative Politics (Democracy and Democratization). Her expertise lie within qualitative research and her research interests revolve around democracy, elections, discourse analysis and politics of South Asia. She has joined Pakistan-China Institute in the capacity of a CPEC associate where she has been involved with the institutes research portfolio and has been conducting and evaluating policy research on CPEC and its impact on various aspects of Pakistan's economy and society. The author is also performing the role of a project coordinator for collaborations and expansion of PCI's activities and subsequent mobilization of stakeholders for project activations through engagement with various government departments, institutions and private entities.

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FOREWORD

Pakistan-China Institute has undertaken a huge responsibility in addressing and rectifying the information gap that prevails regarding the scope of CPEC. This monograph is a progression to that venture whereby a holistic picture of the ground reality and facts about CPEC are presented to disengage the misperceptions that the public associates with the project. This paper is inclusive of a public survey to gauge the perceptions of public regarding CPEC and a counter narrative which discusses the actuality of the project through highlighting the progress made on the projects under CPEC since its inception, insights of significant stakeholders, and highlighting the opportunities arising from CPEC.

I am sure this research report will play an integral role in addressing the misperceptions and misconceptions on the China-Pakistan Economic Corridor Project, as well as enable people to better understand and contextualize the nuances of CPEC projects.

I am also grateful to KAS for their continued support of the consequential discourse, research and dialogue in Pakistan, and being a formidable partner of the Pakistan-China Institute, with the mutual goal of achieving a peaceful, progressive and globally-integrated Pakistan.

Mustafa Hyder Sayed

Executive Director, Pakistan-China Institute

INTRODUCTION

CHINA-PAKISTAN ECONOMIC CORRIDOR: A SNAPSHOT

The China-Pakistan Economic Corridor (CPEC) is the pilot project of the Belt and Road Initiative, proposed by the Chinese President Xi Jinping. The Belt and Road initiative comprises of 6 corridors¹:

1. New Eurasian Land Bridge
2. China–Mongolia–Russia
3. China–Central Asia–Western Asia
4. Indo-China Peninsula
5. China–Pakistan
6. Bangladesh–China–India–Myanmar

CPEC has become the guiding framework, providing a platform for comprehensive and substantive cooperation between Pakistan and China- a significant consensus reached upon by the two countries who have been actively engaged in promoting the construction of CPEC. CPEC has garnered consensus from across the political parties, and people of the two countries, providing an impetus for the successful implementation of the project. CPEC is of paramount significance to the development of Pakistan-China all-weather strategic cooperative partnership. This project will be the gateway in providing new opportunities and a vision in strengthening the partnership of Pakistan and China. CPEC is envisioned to benefit the citizens of Pakistan by effectively promoting socio-economic development of Pakistan. Pakistan and China have both reached a consensus on CPEC being *one corridor, multiple passages* aimed at benefiting the socio-economic development of all regions in Pakistan along with providing effective connectivity to Gwadar Port. According to the Chairman of National Development & Reform Commission-China, Xu Shaoshi, “*The China-Pakistan Economic Corridor is an important loop in the larger chain of Belt and Road Initiative, and would enable the possibility of a 21st Century Maritime Silk Route. It carries the vision of opening-up of and cooperation among the two countries.*”²

The construction of CPEC is intended to enhance regional connectivity and integration of development strategies of Pakistan and China to benefit the citizens of both the countries. The Deputy Chief of Mission, Embassy of the People’s Republic of China in the Islamic Republic of Pakistan, Zhao Lijian said, “*his country attaches high importance to the Corridor Project that is meant to improve the living conditions of the people and overcome problems like power*

¹Tian Jianchen, “One Belt and One Road: Connecting China and the world,” *McKinsey & Company*, July 2016.

² Chairman of National Development & Reform Commission-China, Xu Shaoshi: <http://www.cpecinfo.com/ndrc-message>.

*shortage.*³ Both Pakistan and China have been committed to constructing CPEC and implementing various projects associated with it with high quality and in a timely manner as to obtain a win-win outcome which is supposed to bring benefits to the people in Pakistan and China as well as the other countries in the region.

In May 2015, the Chinese President Xi Jinping proposed the initiative of CPEC under the ambit of the Belt and Road Initiative during his state visit to Pakistan from 20 to 21 April 2015 which received a positive response and support from the Pakistani government.⁴ This was followed by signing of a Memorandum of Understanding (MOU) between Pakistan and China to start work on the construction of CPEC during the visit of the former Prime Minister Nawaz Sharif to China in July 2013: “A total of 51 MOUs relating to diverse aspects of bilateral relations, including the Pakistan China Economic Corridor and series of energy projects were signed.”⁵ Since then, CPEC has been developed and transitioned into full implementation from the planning stage with various major projects being implemented.

According to Senator Mushahid Hussain, Chairman of the Parliamentary Committee on CPEC, Pakistan & Chairman Pakistan-China Institute, the popularity of OBOR is two-fold: China has proven itself to be a success story in the economic development by uplifting almost 700 million people out of poverty ever since 1980, and secondly OBOR has a three-pronged strategy for progressing forward, it is inclusive, has a win-win cooperation and is built upon connectivity.⁶

The initial investment in CPEC projects was worth \$46 billion⁷ and the “net investment from China increased from US\$ 257 million in FY15 to US\$ 626 million in FY16.”⁸ The investment rose from \$46 billion to \$54 billion with the inclusion of new projects.⁹ This investment is crucial for Pakistan’s economic growth as it is not only providing infrastructure funding (FDI and loans) but also has the potential to unleash positive externalities over the short to medium term: (i) stimulation of domestic industrial activity as construction-related sectors expand, (ii) attraction of foreign capital inflows as transport infrastructure and energy supplies improve, and (iii) better regional access to trade routes.¹⁰

The steady development of CPEC is playing an integral role in defining and promoting the bilateral comprehensive cooperation between Pakistan and China. “The CPEC project transforms Pakistan’s geographic location into an asset where Pakistan will be required to cultivate more active relations with the immediate neighbours for sharing energy and pursuing economic

³INP, “China attaches high priority to CPEC, says Zhao Lijian,” *The Nation*, July 2016.

⁴ Pakistan Economic Survey 2013-2014: http://finance.gov.pk/survey/chapters_14/Highlights_ES_201314.pdf.

⁵ Pakistan Economic Survey 2014-2015: http://www.finance.gov.pk/survey/chapters_15/Highlights.pdf.

⁶ Senator Mushahid Hussain Sayed, Chairman of Parliamentary Committee on CPEC, Pakistan.

⁷ Pakistan Economic Survey 2015-2016: http://www.finance.gov.pk/survey/chapters_16/highlights_2015_16.pdf.

⁸ Pakistan Development Update, “Making growth matter,” *The World Bank*, November 2016: 14.

⁹ Pakistan Development Update, “Growth: A Shared Responsibility,” *The World Bank*, May 2017: 3.

¹⁰*Ibid*, 4.

development and trade.”¹¹ CPEC is a large and systematic project, spanning over 2013-2030, requiring relentless and joint efforts by governments, companies and all social sectors of Pakistan and China. During the process of the construction of CPEC, both countries agreed on the principles of scientific planning, step by step implementation, consensus through consultation, mutual benefit and win-win outcomes, along with ensuring high quality and completion of projects in a safe and timely manner. Furthermore, both countries agreed to formulate a list of prioritized (early-harvest) projects to be completed by 2018 or 2020 alongside laying down a long-term plan for CPEC. As part of the planning phase for the construction of CPEC, it was mutually agreed by both countries that the government will be playing a guiding role whereas the companies- market entities will be making investment according to the market rules.¹² Consequently, a clear division of work was outlined, promising that the governments and companies could make a collaborative effort in promoting the implementation of CPEC with steady progress.

As per the consensus reached by the two countries, CPEC is following a **1+4** pattern of economic cooperation, featuring a central role of CPEC and four key areas including Gwadar port, energy, transportation infrastructure and industrial cooperation to achieve common development and win-win outcomes.

The operative mechanisms underneath which CPEC functions constitutes of a Joint Cooperation Committee (JCC) set up by Pakistan and China. The JCC comprises of five joint working groups responsible for the planning and implementation of the projects within its field:

1. Long-term planning
2. Energy
3. Transportation Infrastructure
4. Industrial cooperation
5. Gwadar port

The JCC secretariat resides within the Ministry of Planning, Development and Reforms in Pakistan and the National Development and Reform Commission of China, both responsible for coordinating and communicating with the line ministers related to the construction of CPEC. The JCC is responsible for the overall planning and coordination of CPEC. The five joint working groups under JCC identify and proceed with every project by mutual consultation and negotiation. The JCC has been successful in convening 6 meetings as of December 2016, and has been successful in reaching a series of consensus playing a vital role in promoting the construction of CPEC. “For the future progress and success of CPEC, a China-Pakistan Economic Corridor (CPEC) Cabinet Committee has been formed under the chairmanship of the

¹¹ Hasan Askari Rizvi, “The China-Pakistan Economic Corridor: Regional Cooperation and Socio-Economic Development,” Strategic Studies: 13.

¹² <http://www.cpecinfo.com/10-questions-on-cpec>.

Prime Minister Shahid Khaqan Abbasi for the firm grip on decision making process related to the economic development of Pakistan. The Cabinet Committee will be replacing the Ministry of Planning, Development and Reforms in the JCC and be responsible for formulating the JCC agenda for 2017-2030.”

The purpose of this paper is to address the information gap and provide a holistic picture of the facts about CPEC and disengage the fictions and misperceptions associated with the overall project. The paper will provide insights into the public perception of people regarding CPEC which were collected using a public opinion survey, highlight the progress made on the projects under CPEC since its inception, provide insights of significant stakeholders through interviews, and provide a picture of what CPEC promises in the future.

PUBLIC OPINION SURVEY ON CHINA-PAKISTAN ECONOMIC CORRIDOR: MAJOR FINDINGS

An online survey was conducted by Pakistan-China Institute to assess the perception and awareness of respondents with regards to the various impacts and challenges that Pakistan will face in its association with the China-Pakistan Economic Corridor. The purpose of the survey was to gauge misperceptions that the general population has with regards to CPEC and provide a counter narrative based on factual accounts to rectify the misperceptions. The survey comprised of close-ended questions and the responses were quantified using Likert Scale and a simple close-ended scale.

Likert Scale		Ordinal Scale	
Coding	Responses	Coding	Responses
1.	Strongly Agree	1.	Yes
2.	Slightly Agree	2.	No
3.	Neutral	3.	Maybe
4.	Slightly Disagree		
5.	Strongly Disagree		

The total number of observations gathered from the survey were **1,011** whereby the sample consisted of students and experts belonging from various fields such as, academia, government, development sector, private sector and research. The survey was distributed on

various university discussion forums and official PCI social media forum as well as shared with PCI partners and their employees, and with government bodies. The survey served as a public opinion poll regarding the perception of the public about CPEC as well as an indicator of how well informed the public is regarding CPEC. Out of the respondents, 48.5% were above the age of 25, 42.5% having an educational qualification of Master's or above (PhD). Moreover, 91.3% of the respondents were male.

1. When asked how well-informed they were regarding CPEC, making use of the Ordinal Scale, 56.9% believed they are well-informed about CPEC.
2. By making use of the Likert Scale, **46.5% strongly agreed** that CPEC will be a *game changer for Pakistan*, whereas, **49.6% strongly agreed** that CPEC will have a *positive impact* on the economy of Pakistan, however, only 32.3% strongly agreed that CPEC will result in improving the standard of living of a common Pakistani citizen.
3. **40.4%** of the respondents believed that the flow of Chinese goods in local markets will *negatively impact* local businesses.
4. Although 53.7% believe that CPEC funding from China is a foreign directed investment, 49% of the respondents believe that the major proportion of CPEC funding from China is in the form of a loan, meaning that the Pakistan government will be further indebted with CPEC projects being a burden on the existing Pakistan's fragile economy.
5. **45.8%** of the respondents believed it is *unfair to burden* the consumers with the additional security cost for the safety of Chinese personnel and CPEC projects associated with the energy sector. However, it is essential to clarify that the security cost is added because of the high risk ranking of Pakistan for investors. To ensure the CPEC projects are implemented smoothly and can provide the adequate benefit to Pakistani citizens in due time., this additional security cost becomes essential.
6. **46.2%** of the respondents believed that the federal government is *not mindful of equity issues* with regards to all provinces getting a fair share of CPEC projects, and 47.1% believed that Punjab is going to gain the most from CPEC, closely followed by 41.2% choosing Baluchistan.

The online survey to an extent reinforces the supposition that people are not at par with the reality of CPEC.

MYTHS ON CPEC DECONSTRUCTED

1. PAKISTAN WILL BECOME TOO DEPENDENT ON CHINA

This notion arises as a concern for people in a region of domination and colonization who are wary of foreign involvement of any kind in Pakistan to this extent, therefore the concerns about CPEC. Hence, it is important to shed light on the differing nature of China's economic policy to debunk this myth. Firstly, China is not following a mercantilist approach with CPEC, that is it is not extracting resources from Pakistan and accumulating wealth by exporting manufactured products. CPEC as the flagship project of OBOR is a shared vision of China and Pakistan. President Xi Jinping's vision of reviving the ancient Silk Route is not an imperial agenda rather a proposal to promote economic and cultural regional integration whereby development projects are joint ventures of the involved countries. CPEC is strategically and economically significant for both China and Pakistan: "It will pave the way for China to access the Middle East and Africa from Gwadar Port, enabling China to access the Indian Ocean and in return China will support development projects in Pakistan to overcome the latter's energy crises and stabilizing its faltering economy."¹³ CPEC will serve as the driver of regional economic integration which aligns with their ideal of economic prosperity for a greater global influence. Secondly, China's export competitiveness is universal and not unique to Pakistan. Pakistan's current trade deficit with China is \$6.2 billion.¹⁴ In comparison, India's trade deficit with China is \$46.56¹⁵ billion and the US trade deficit with China is \$171 billion.¹⁶ Trade deficit does not necessarily translate in to debt, and neither does it pave path for absolute and arbitrary China's influence, instead demonstrates that Pakistan needs to build upon its manufacturing industry for an enhanced trade with China to reduce the gap, an aspect which will improve with the construction for special economic zones.

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It is also futile to make such claims with regards to the China-Pakistan bi-lateral relations because mutual respect of both country's sovereignty has always existed and will continue to do so. This was prominent in President Xi Jinping's speech during his state visit in 2015 who said "his country firmly supports Pakistan's commitment to uphold its sovereignty, territorial integrity and national dignity."¹⁷ Thirdly, in terms of numbers, there are a few handful of Chinese immigrants (temporary labour immigrants) residing in Pakistan, contributing positively towards Pakistan's economy till the completion of projects, in contrast to the Chinese residents living in various other countries of the world. One needs to be mindful of the large Chinese population in general which is spread all around the world. This does not indicate their hidden imperial agenda of conquering the world, rather provides an insight on

¹³ Ali Akber, "China Pakistan Economic Corridor (CPEC): Prospects and Challenges for Regional Integration," *Arts and Social Sciences Journal* (2016): 1-5.

¹⁴ Shahid Iqbal, "Trade deficit with China swells to \$6.2bn," *Dawn*, August 2016.

¹⁵ PTI, "Trade deficit with China a matter of concern: Nirmala Sitharaman," *The Economic Times*, July 2017.

¹⁶ Foreign Trade, "Trade in Goods with China," *United States Census Bureau*, August 2017.

¹⁷ "Pakistan was with us when China stood isolated: Xi Jinping", *Dawn News*, April 2015.

them contributing positively to the economy of a country they are residents in. To make a conclusion about Chinese overtaking Pakistan society is false especially when one of the aims of CPEC is to promote cultural connectivity between the two countries, exploring and respecting the different cultural and religious values that the citizens of the countries share.

2. CPEC IS ‘ONE CORRIDOR’

CPEC needs to be understood in terms of being a network, rather than one corridor. The motto of CPEC consensually agreed upon is “*one corridor, multiple passages*” meaning that CPEC is a web-like network of passages and linkages connecting different regions within Pakistan along with promoting regional connectivity and economic integration. China has envisioned an inclusive development approach for economic growth, peace and stability, and OBOR is the actualization of that approach. OBOR is not only a trade route, rather an avenue for cultural connectivity and cooperation whereby cultural exchange and mutual respect for various cultures is acquired and peaceful co-existence is promoted for the facilitation growth and development within Pakistan and regionally.

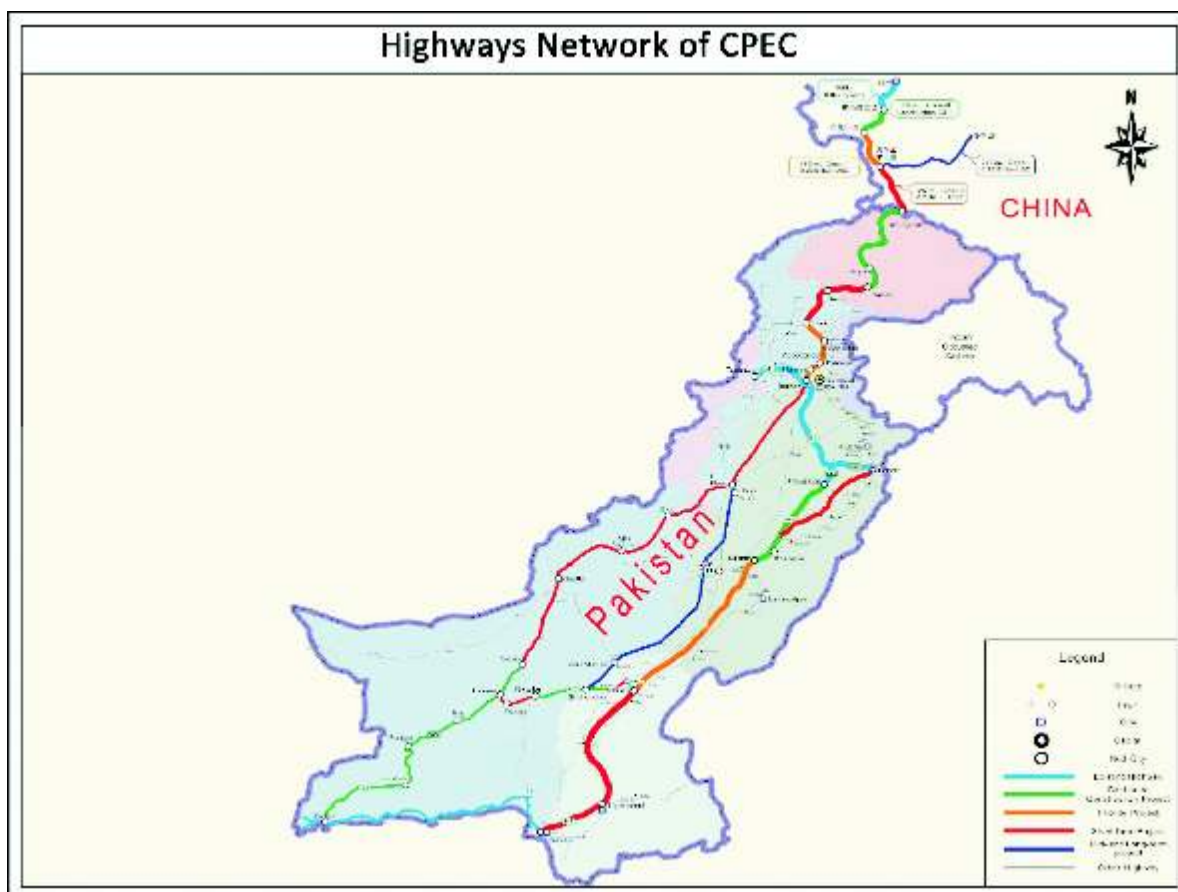


Image 1: CPEC road network map | Source: cpec.gov.pk

3. CPEC IS NOT EQUALLY CATERING TO ALL PROVINCES

The reality is stark opposite as Pakistan and China jointly work in formulating a long-term plan for the development of CPEC projects and for this purpose all the provincial representatives are taken on board. The Joint Cooperation Committee (JCC) is an institutional body, formed by the National Development and Reform Commission (NDRC) and Planning, Development and Reform Ministry of Pakistan to overview the various projects falling under the ambit of CPEC. This body is inclusive of representatives from all provinces who are invited and consulted for reviews and recommendations on CPEC projects. There has been a total of 6 meetings of JCC as of December 2016 since the signing of MOUs in 2013 and representation from the highest officials from all provincial governments have been present. Furthermore, it is vital to point out that a fair share of CPEC projects are being implemented in the smaller provinces. For instance, Gwadar port is being developed to its full capacity to become the economic hub of CPEC. Similarly, energy and transportation infrastructure projects along with the development of special economic zones are underway in Khyber Pakhtunkhwa.

The parliamentary committee on CPEC¹⁸ was formed in 2015 and has a broad-based representation inclusive of all provinces from both houses of the parliament. Senator Mushahid Hussain Sayed is the chairman of the committee. The committee has so far convened 25 times till the second quarter of 2017. Senator Mushahid Hussain, shedding light on the role of the committee highlighted that “the Parliamentary Committee is an oversight body which monitors the implementation of CPEC projects and makes recommendations for its timely implementation and provide suggestions for improvement. The committee endeavours to serve as a bridge between provincial governments and the federal government, being inclusive in its approach through transparency and interaction with the Chief Ministers of all four provinces and Gilgit-Baltistan.”¹⁹ The committee has played an integral role in bringing the smaller provinces at the upfront of CPEC projects and worked on the principles of promoting a consensus through consultation, promoting transparency and ensuring inclusive development so that CPEC benefits the less-developed regions of Pakistan for which the committee paid site visits to these provinces for prospective projects to be included within the CPEC regime. It directed for the inclusion of all provinces and Gilgit-Baltistan to be included in the JCC.²⁰ It has provided recommendations on several agendas which have been incorporated within the CPEC project implementation. For instance, the government has upgraded the existing 2-lane section of the Western Route to 4-lane section.²¹ Similarly, the recommendation by Chief Minister, Murad Ali Shah, Sindh Government, for establishing a port at Keti Bandar as a

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¹⁸ <http://www.na.gov.pk/en/cmen.php?comm=ODc=>.

¹⁹ Senator Mushahid Hussain Sayed, “From the Chairman’s Desk,” *Parliamentary Committee on China-Pakistan Economic Corridor Report 2015-2017*.

²⁰ Senator Mushahid Hussain Sayed, “From the Chairman’s Desk,” *Parliamentary Committee on China-Pakistan Economic Corridor Report 2015-2017*.

²¹ 3rd Meeting, “Meetings of the Committee,” *Parliamentary Committee on China-Pakistan Economic Corridor Report 2015-2017*, 17.

special terminal for the export of coal along with establishing rail links and a special economic zone to support the port, was taken up by the Parliamentary committee and the Ministry of Ports & Shipping was directed to conduct a feasibility study for the project which will be incorporated within the new provincial projects under the CPEC ambit.²²



Image 2: Coal-fired Power Plant, Hub, Baluchistan | Source: cpec.gov.pk

All the progress and updates with regards to CPEC projects in every province is readily available on cpec.gov.pk and cpecinfo.com (**Pakistan-China Institute**-the only available platform which disseminates verifiable information about CPEC and enables stakeholder connectivity with CPEC). The Chinese companies involved in the projects are nominated by the Chinese government so the aspect of favouritism from the Pakistan government can be eliminated out as well. In this backdrop, there is no avenue for misinterpretation and concealing information.

²² 10th Meeting, “Meetings of the Committee,” Parliamentary Committee on China-Pakistan Economic Corridor Report 2015-2017, 24.

4. PAKISTAN WILL NOT GAIN ANY ECONOMIC BENEFITS FROM CPEC

CPEC is fundamentally different from the 2006 Free Trade Agreement (FTA) signed with China which works based on demand and supply of market forces where China has a competitive edge in exports. On the other hand, CPEC provides the necessary stimulus for boosting the industrialization processes in Pakistan with investments in energy and transportation infrastructure. The GDP in 2016 was noted as being 4.7%- the highest rate in eight years and the growth is expected to continue accelerating in the coming years.²³ According to the Economic Survey of Pakistan, 2016-2017, the GDP growth was registered at 5.28% which is projected to grow reaching 5.8% in 2019.²⁴ The pro-growth policies have resulted in ensuring that the fiscal deficit is on a low trajectory. It has been reduced to 4.6% in 2016 as compared to 8.2% in 2013.²⁵ An increase in investment related to CPEC projects is expected to supplement growth driven primarily by public and private consumption.²⁶

While commenting on the economic benefits that CPEC can promise, Asad Umar, Member of the National Assembly (Senior Leader and Policy Head, Pakistan Tehreek-e-Insaf), was of the opinion that CPEC is creating an enabling environment for potential economic benefit for Pakistan in the long run, but for that goal to be achieved as part of the long-term plan, it is of utmost significance that the government focuses on implementation and creation of trading opportunities which can materialize into economic uplift associated with the connectivity of the economic corridor. Currently, Gwadar is the only location benefiting from the transportation infrastructure being created. There is an urgency associated with transforming the facilitative environment of CPEC into productivity output to deal with the current external account crisis and provide tangible positive outcomes for Pakistan's economy. He further elaborated upon how the second phase of the CPEC regime is catering to the provincial distribution of projects, and the special economic zones are a step forward in materializing that aim whereby a direct local benefit will be visible.²⁷ CPEC is a way forward in changing the perception of Pakistan as being an investor friendly nation and acting as an effective counter-weight to the Indian pressure. It is a vote of confidence in the future of Pakistan and a way forward for Pakistan's future prosperity.



Figure 1: Real GDP Growth of Pakistan

²³ Pakistan Development Update, "Making growth matter," *The World Bank*, November 2016: 22.

²⁴ Pakistan Economic Survey 2016-2017: http://www.finance.gov.pk/survey/chapters_17/01-Growth.pdf.4

²⁵ Pakistan Economic Survey 2016-2017: http://www.finance.gov.pk/survey/chapters_17/01-Growth.pdf.

²⁶ Pakistan Development Update, "Making growth matter," *The World Bank*, November 2016: III.

²⁷ Interview: Asad Umar, Member of the National Assembly, Senior Leader and Policy Heady, Pakistan Tehreek-e-Insaf: 19 September 2017.

5. PAKISTAN IS INCREASING ITS DEBT UNDER CPEC

It is essential to clarify this myth primarily because a lot of scepticism is existent with regards to the mobilization of funds and future external payments obligation for CPEC projects. Moreover, it is essential to differentiate between IMF/World Bank loans under structural adjustment programs as compared to the foreign directed investment China is making through CPEC. The former has contributed to economic stagnation to maintain a balanced budget, resulting in forced austerity programs having negative repercussions on the social sector, undermining the public prosperity. Furthermore, the inability to repay interests, the borrowing countries are forced to acquire further foreign debt, resulting in a vicious cycle of financial dependence.²⁸ Contrary to the popular belief that CPEC is adding an additional burden on the Pakistan's economy and increasing its debt, Pakistan's growth provides evidence of a way forward in reducing the debt. It is projected that the public debt-to-GDP ratio will decline below the legislative threshold of 60% by 2020 given higher GDP growth and fiscal consolidation continues.²⁹ The total investment for CPEC projects is estimated at \$54 billion.³⁰ The current investment is divided into \$35 billion allocated for energy projects, out of which approximately \$26 billion has been allocated for early harvest energy projects and approximately \$13 billion have been allocated for transportation infrastructure.³¹ The completion timeframe is 2030 which will determine the payment flow. A calculated forecast on the additional burden on Pakistan's external payment capacity can be made based on a factual analysis of the current situation.

ENERGY PROJECTS

The energy projects are being executed under the Independent Power Producers (IPPs) mode, applicable to all private power producers in Pakistan. The financing for foreign investors (Chinese companies) is categorized under foreign directed investment which guarantees a 17% return on equity.³² The upfront tariff introduced by NEPRA has many benefits: "a) Reduced regulatory risk as tariff are already given for different categories/technology which investors can use for due diligence prior to opting, b) provided incentive for early commissioning and, c) encouraged investors to bring latest technology."³³ For the purposes of financing the energy projects loans are mainly taken from the China Development Bank and China Exim bank against their own balance sheets, therefore, any debt would be borne by the Chinese investors instead of any obligation on part of the Pakistani government. The only item shown in the Pakistan's current account is

²⁸ William Easterly, "Economic Stagnation, Fixed Factors, and Policy Threshold," *Country Economics Department, The World Bank* (1991). Also see IMF News Center, "IMF Sees Subdued Global Growth, Warns Economic Stagnation Could Fuel Protectionist Calls," *International Monetary Fund* (2016).

²⁹ Pakistan Development Update, "Making growth matter," *The World Bank*, November 2016:10.

³⁰ Pakistan Development Update, "Growth: A Shared Responsibility," *The World Bank*, May 2017: 3.

³¹ <http://cpec.gov.pk/energy> and <http://cpec.gov.pk/infrastructure>.

³² National Electric Power Regulatory Authority:

<http://www.nepra.org.pk/Publications/Annual%20Reports/Annual%20Report%202015-2016.pdf>.

³³ National Electric Power Regulatory Authority:

<http://www.nepra.org.pk/Publications/Annual%20Reports/Annual%20Report%202015-2016.pdf>.

the import of equipment and services from China, whereas the corresponding financing will be in the form of FDI brought in via Chinese. Hence, there will be no future liabilities for Pakistan with regards to the energy projects.

A calculated decision has borne results for Pakistan in these four years whereby the reformation in the energy sector which will add nearly 10,000MW³⁴ on the national grid, by the first half of 2018, thereby, effectively ending the last quarter century's chronic energy shortage.



Image 3: Sahiwal Coal-Fired Power Plant, Punjab | Source: cpec.gov.pk

INFRASTRUCTURE PROJECTS

Infrastructure projects are being financed through government to government loans amounting to \$15 billion. These loans, however, are concessional in nature with a 2% interest to be repaid over a 20-25 year period, meaning that the estimated \$13 billion cannot be added to the current external debt, rather a tapered schedule for disbursement will be a more realistic picture. Although a debt is being incurred by the Pakistani government taking into consideration the economic growth because of infrastructure and investment in energy is likely to generate enough revenue to reduce the burden of external debt.

³⁴cpec.gov.pk and cpecinfo.com. See also, Daniel S. Markey and James West, "Behind China's Gambit in Pakistan," *Council on Foreign Relations*, May 2016.

The increasing growth rate since the inception of CPEC coupled with substitution of renewable and cheap energy resources, attracting foreign investment in manufacturing and export sectors by setting up joint ventures in industrial zones, setting up vocational and training centers to facilitate and accelerate training of skilled and semi-skilled local labour force will contribute to annual cost savings and reduced outflows, facilitating in offsetting the debt burden.

Despite the current account deficit widening in 2016, it was compensated by healthier financial flows compared to 2015, resulting in an overall surplus of US\$ 2.7 billion as compared to US\$ 2.6 billion in 2015 and improving Pakistan's external position and having sufficient reserves to cover almost 4 months of imports of goods and services. This continued progress is a result of increasing workers remittances and robust financial inflows (increasing FDIs) which continue to offset the trade deficit.³⁵



Image 4: Karachi-Lahore Motorway 392 km (Sukkur-Multan Section) | Source: cpecinfo.com

³⁵ Pakistan Development Update, "Making growth matter," *The World Bank*, November 2016: 11.

6. CPEC IS HARMFUL TO THE LOCAL BUSINESSES

CPEC, on the contrary, is beneficial for the local businesses as it will increase competitiveness for goods in the local market, providing incentive for local businesses to produce high quality products for consumption. The relocation of Chinese factories abroad can help Pakistan's industry in the proposed special economic zones. The special economic zones under the medium-term plan of CPEC will cater to the needs of the local businesses. As far as the exporters are concerned, access to larger and new markets is beneficial to them. These special economic zones are being constructed to benefit the manufacturing sector of Pakistan and boost the economic growth. The easy access to Chinese and Asian markets through infrastructural development, the export of domestic manufacturing is expected to rise under CPEC. These zones provide an opportunity for local businesses to venture into joint collaboration with the Chinese counterparts and treat their knowledge about the location (culture, land, market) as an asset. The zones will provide a platform to produce local goods catering to domestic and international markets, and will be a step forward in the direction of increasing the domestic manufacturing base. The cottage industries on the other hand will be protected under the Ministry of Commerce regulatory codes.

The revision of the Free Trade Agreement addressed major concerns of Pakistan about the preference erosion of its exports and meaningful market access. The eighth meeting of the second phase of negotiations over the FTA concluded with a 'breakthrough', whereby Pakistan shared a list of around 70 high-priority items of its export interest for immediate market access.³⁶ The Chinese investment will expand Pakistan's industrial capacity through the transfer of state-of-the-art technology and expertise which will improve Pakistan's infrastructure, energy and manufacturing capacity.

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GROWTH INDICATORS FOR LOCAL MARKET

- **MSCI Index:** Pakistan's status improved from Frontier Market to Emerging Market.³⁷
- **The Global Competitiveness Index:** Pakistan ranked at 122/138 in 2016/17 as compared to 126/138 in 2015/16.³⁸
- **Cement Industry:**
 - Cherat Cement: The cement industry saw a growth of 3.71% through the year with an 8% increase in domestic demand; Cement production capacity of the company has increased to around 2.4 million tons per annum, and Cherat Cement announced industrial enhancement, installation of a third cement line.³⁹

³⁶ The Newspaper's Staff Reporter, "Breakthrough' in Sino-Pak FTA Talks," *Dawn News*, September 2017.

³⁷ MSCI Index: <https://www.msci.com/market-classification>.

³⁸ The Global Competitiveness Report 2016–2017, World Economic Forum: http://www3.weforum.org/docs/GCR2016-2017/05FullReport/TheGlobalCompetitivenessReport2016-2017_FINAL.pdf.

³⁹ Cherat Cement Company Limited Annual Report 2017: http://gfg.com.pk/uploads/files/CCCL_AR_2017.pdf.

- **Steel Industry**
 - Steel use in 2015 was 37.5kg per capita- World Steel Association.⁴⁰
- **E-Commerce Industry**
 - “Pakistan among fastest growing e-commerce platforms in the world” – CEO, eBay.⁴¹

7. CPEC IS PUNJAB CENTRIC

CPEC does not translate into China-Punjab Economic Corridor, rather is China-**Pakistan** Economic Corridor which essentially means that the project is envisioned to cater to all regions in Pakistan. It is vital to clarify that a fair division of projects have been distributed under the CPEC regime to all provinces as the later sections will demonstrate.

The early harvest projects- energy projects have been fairly divided amongst all provinces. The following list of location for the projects will demonstrate how CPEC projects are not limited to the Punjab province.

Coal-Fired Power Plants	Sahiwal (Punjab), Port Qasim (Sindh), Thar (Sindh), Gwadar (Baluchistan), Hub (Baluchistan)
Hydro Power Plants	Suki Kinari (Khyber Pakhtunkhwa), Karot (AJK)
Wind Power Farms	Thatta, Sindh (Gharo, Sachal, Jhampir)
Solar Energy Plants	Bahawalpur (Punjab)

*A detailed breakdown is provided under the energy projects section of this paper.

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The reason why more development is taking place in Punjab is because of the spillover effect of CPEC and the efficiency of Punjab government in completing development projects. Punjab has proved to be an investor friendly government and attracted investment as such. The indirect development in Punjab attributes to the reshaping of development landscape in the province. Hu Xiaolian, Chairperson Exim Bank of China in paying tribute to the speed of project implantation under China Pakistan Economic Corridor in Punjab mentioned that “**Punjab Speed** is used in China regarding the rapid execution of projects instead of ‘Shen-zen Speed’ which was used previously for the rapid completion of projects in China.”⁴²

⁴⁰ World Steel Association, Steel Statistical Yearbook 2016: <https://www.worldsteel.org/en/dam/jcr:37ad1117-fefc-4df3-b84f-6295478ae460/Steel+Statistical+Yearbook+2016.pdf>.

⁴¹ APP. “Pakistan among fastest growing e-commerce markets: eBay CEO.” *Dawn* (January 2017).

⁴² Huzaifa Rehman, “China discards Shenzhen speed for Punjab speed,” *The News*, July 2016.



Image 5: Suki Kinari Hydropower Station, Naran, Khyber Pakhtunkhwa | Source: cpec.gov.pk

8. CPEC WILL LEAD TO INFLUX OF CHINESE LABOUR, DISPLACING PAKISTANI LABOUR

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This is yet another myth. The huge majority of the workforce is already Pakistani and is likely to grow further. Currently, **30,000 local jobs** in the energy and infrastructure sector have been created through CPEC.⁴³ There is no labour workforce from China being imported or utilized for CPEC projects, only Pakistani labour work force is being utilized. Currently, 9500 Chinese engineers, technicians and experts work on CPEC projects, while another 9000-plus Chinese engineers, technicians and experts work on non-CPEC projects. The labour force on all CPEC projects is majorly Pakistani and the technical experts will also be replaced by Pakistani citizens in the near future with the development of diversified technical skills.

⁴³ Primary Source: Data compiled by Pakistan-China Institute.

CPEC IN A TIME-FRAME: PROGRESS ON PROJECTS

The construction of CPEC has been planned to occur in three phases over the course of 15 years spanning from 2015-2030: short-term (early harvest projects), medium term and long-term phase. The early harvest projects, primarily energy projects intended to be completed between 2015-2020 aim at propelling economic growth whereas under the medium-term plan, implementation of projects is aimed at developing a more effective economic system. The long-term phase will witness the culmination of CPEC with all intended projects completed.

The four pillars of CPEC are as follows:

1. Gwadar Port
2. Energy
3. Transportation Infrastructure
4. Industrial Cooperation

This section will provide the progress updates of the projects initiated under CPEC along with highlighting the positive impact it has had on the socio-economic development of Pakistan.

GWADAR PORT

Gwadar, Baluchistan holds a pivotal position in the China-Pakistan Economic Corridor (CPEC) for the economic prosperity of Pakistan, being the only meeting point of the Silk Road Economic Belt (starting from Gwadar, Pakistan going north to Xinjiang, China and the Maritime Silk Road (sea route linking various ports including Gwadar). Gwadar is vital in achieving the goal of the 21st Century Maritime Silk Route by presenting itself as the hub of regional connectivity. The global strategic significance of Gwadar has been outlined in an article by Robert Kaplan in 'The Atlantic' issue of May 2009, whereby he terms Gwadar as the 'hub of a new Silk Road, both land and maritime.' Kaplan further commented that Gwadar is a 'litmus test for the stability of the entire Arabian Sea region' and his vision saw the Pakistani port having the potential of becoming the 'Rotterdam of the Arabian Sea, Gwadar's highways and pipelines stretching to Samarkand'.⁴⁴ Gwadar will not act as a connecting port only, rather be developed as an economic hub fostering the improvement in local citizens livelihood. The projects associated with the development of Gwadar intend to capacitate the province of

⁴⁴ Robert Kaplan, "Pakistan's Fatal Shore," *The Atlantic*, May 2009.

Baluchistan to its full economic, social, technical and energy potential, integrating it within the economic framework of Pakistan and China.

NO.	PROJECT NAME	PROGRESS UPDATE
1	Gwadar Eastbay Expressway (19 km, connecting Gwadar Port to Mehran Coastal Highway)	Government Framework Agreement Signed (Minutes of EAD-MOFCOM signed)
2	Gwadar New International Airport, Gurandani, 26 KM east of Gwadar City, Baluchistan	Government Framework Agreement Signed (Minutes of EAD-MOFCOM signed in August 2016); Grant request is being processed by Chinese Side
3	Gwadar Free Zone	1st phase completion date December 2017; Tax exemptions for port and Free Zone notified in Finance Bill 2016 (100% private Investment inside Free Zone); Gwadar Free Zone investment guide line published
4	China-Pakistan Faqeer Primary School Project	COMPLETED
5	Gwadar Smart Port City Master Plan	LOE signed in August 2016
6	Dredging of Berthing Areas & Channels	Draft business plan has been received from Chinese, under review by Pakistani teams
7	Construction of Breakwaters	Draft business plan has been received from Chinese, under review by Pakistani teams
8	Fresh Water Supply, Wastewater Treatment Plants for Gwadar City	Draft Framework Agreement shared with Chinese side and likely to be signed soon

9	Gwadar Pak-China Friendship Hospital Upgradation	Feasibility study completed; LOE in process of being signed
10	Gwadar Pak-China Friendship Technical and Vocational College	Feasibility study under way; MoU likely to be signed soon
11	Bao Steel Park, petrochemicals, stainless steel and other industries in Gwadar	Necessary approval process would be completed at the earliest for inclusion as new CPEC Project under Gwadar JWG
12	Development of Gwadar University (Social Sector Development)	Chinese side will identify a leading Chinese university for collaboration with University of Gwadar on marine & maritime related subjects along with other disciplines
13	Upgradation and development of fishing, boat making and maintenance services to protect and promote livelihoods of local population	China Overseas Ports Holding Company Ltd (COPHCL) would take effective measures for social sector development

Source: cpec.gov.pk/cpecinfo.com



Image 6: Gwadar Eastbay Expressway | Source: cpecinfo.com

ENERGY

Energy projects have been categorically placed within the short-term planning phase (early-harvest projects) bearing in mind the energy crisis facing Pakistan. “Almost \$15.5 billion worth of coal, wind, solar and hydro energy projects will come online by 2017.”⁴⁵ The frequent energy shortages have caused a plummet in business for major industries. With the increasing energy needs of Pakistan, CPEC has allocated a major proportion of funds to energy generation and transmission to resolve the existing energy deficits. The projects listed below provide an insight to the progress of energy associated projects under CPEC aimed at the contributing to the sustainable industrial growth and provision of unhindered electric supply for domestic consumption in Pakistan.

According to the 2015-2016 Economic Survey of Pakistan, “almost 12 percent growth has been observed in real value addition of electricity generation & distribution which in turn helped the real GDP growth of 4.7 percent during FY 2016.”⁴⁶ The increase in electricity generation between 2015-2016 has been 2%.⁴⁷ The China-Pakistan Economic Corridor (CPEC) projects have generated greater foreign direct investment (FDI) flows from China with the total net flows from China being US\$ 671 million compared with US\$ 268 million in FY15, an increase of 136 percent.⁴⁸ The early-harvest energy projects being implemented aim at putting **10400 MW** on the national electric grid by 2018.⁴⁹ The progress of the projects is listed below.

NO.	PROJECTS	MEGAWATT S (MW)	PROGRESS UPDATE
EARLY-HARVEST PROJECTS			
COAL-FIRED POWER PLANTS			
1	2 x 660 MW Sahiwal Coal-Fired Power Plant, Punjab	1320	TWO UNITS INAUGURATED COMPLETED 6 MONTHS AHEAD OF SCHEDULE
2	2 x 660 MW Port Qasim Coal-fired Power Plant, Karachi, Sindh	1320	Plant 2 months ahead of schedule; Energization in October 2017; Expected Commercial Operation Date (COD) June 2018

⁴⁵ Pakistan Economic Survey 2014-2015: http://www.finance.gov.pk/survey/chapters_15/Highlights.pdf.

⁴⁶ Pakistan Economic Survey 2015-2016: http://www.finance.gov.pk/survey/chapters_16/highlights_2015_16.pdf.

⁴⁷ Pakistan Economic Survey 2015-2016 and Pakistan Development Update, The World Bank, November 2016.

⁴⁸ Pakistan Development Update, “Making growth matter,” *The World Bank*, November 2016:2.

⁴⁹ Daniel S. Markey and James West, “Behind China’s Gambit in Pakistan,” *Council on Foreign Relations*, May 2016.

3	<ul style="list-style-type: none"> 2 × 330 MW Engro Thar Block II Coal Fired Power Plant, Sindh 1 × 330 MW TEL Mine Mouth Lignite Fired Power Project at Thar Block-II, Sindh 1 × 330 MW ThalNova Mine Mouth Lignite Fired Power Project at Thar Block-II, Sindh 	660 330 330	Under construction; COD June 2019
4	2 x 660 MW SSRL Thar Coal Block-I 7.8mtpa & SEC Mine Mouth Power Plant, Sindh	1320	Expected COD 2018/2019
5	Thar Mine Mouth Oracle Power Plant & Surface Mine, Thar Block-VI, Sindh	1320	Project registered with Private Power & Infrastructure Board (PPIB)
6	Surface mine in Block II of Thar Coal field, 6.5 million tons/year, Sindh	-----	Expected COD 2018/2019
7	1,320 MW CPHGC Coal-fired Power Plant, Hub, Baluchistan	1320	Expected COD 2018/2019
8	300MW Imported Coal Based Power Project at Gwadar, Baluchistan	300	LOI has been issued to the Company on 26th May 2017; Submission of tariff application to NEPRA by 12th July 2017
HYDRO-POWER PLANTS			
9	Suki Kinari Hydropower Station, Naran, Khyber Pakhtunkhwa	870	Financial Close achieved; COD 2021/2022
10	Karot Hydro-Power Project, AJK/Punjab	720	Financial Close achieved; construction under process; COD 2021/2022
WIND POWER FARMS			
11	Hydro China Dawood 50MW Wind Farm, Gharo, Thatta, Sindh)	50	OPERATIONAL
12	50 MW Sachal Wind Farm, Thatta, Sindh	50	OPERATIONAL
13	100 MW Jhimpir Wind Farm, Thatta, Sindh	100	OPERATIONAL

14	<ul style="list-style-type: none"> • Three Gorges Second Wind Power Project, Thatta Sindh • Three Gorges Third Wind Power Project, Thatta Sindh 	50 50	COD September, 2018
SOLAR ENERGY PLANTS			
15	1000 MW Quaid-e-Azam Solar Park, Bahawalpur, Punjab	1000	COD OF 3 X 100 MW ATTAINED IN AUGUST 2016
HIGH-VOLTAGE, DIRECT CURRENT (HVDC) ELECTRIC POWER TRANSMISSION SYSTEM			
16	<ul style="list-style-type: none"> • Matiari-Lahore ±660kV HVDC Transmission Line Project (Sindh and Punjab) • Matiari-Faisalabad HVDC Transmission Line Project (Sindh and Punjab) 	2000 MW with 10% overloaded capability for 2 hours 2000 MW with 10% overloaded capability for 2 hours	Expected COD 2018/2019
ACTIVELY PROMOTED PROJECTS			
17	Kohala Hydel Project, AJK	1100	Financial close planned in Dec 2017; Expected COD 2023
18	Rahimyar khan imported fuel Power Plant, Punjab	1320	Feasibility in process
19	Cacho 50MW Wind Power Project, Sindh	50	---
20	Western Energy (Pvt.) Ltd. 50MW Wind Power Project, Sindh	50	---

Source: cpec.gov.pk/cpecinfo.com



Image7: Port Qasim Coal-fired Power Plant, Karachi (Sindh) | Source: cpec.gov.pk



Image8: Dawood Wind Farm, Thatta (Sindh) | Source: cpecinfo.com

TRANSPORTATION INFRASTRUCTURE

The China-Pakistan Economic Corridor envisions an extensive map of transportation routes which would aid in regional connectivity and facilitate transit trade, enhancing market accessibility. To achieve this aim, Pakistan and China have jointly agreed to extensively overhaul the existing transportation infrastructure in Pakistan and create new routes to facilitate regional connectivity. The progress of projects is listed below.

NO.	PROJECT	LEN GTH (KM)	PROGRESS UPDATE
ROAD			
EARRLY-HARVEST PROJECTS			
1	KKH Phase II (Thakot -Havelian Section), Gilgit Baltistan & KPK	118	Havelian- Abbotabad-Mansehra (39 KM) section will be completed by April 2018; To be completed by December 2019.
2	Peshawar-Karachi Motorway (Multan-Sukkur Section)	392	Construction work commenced in August 2016; COD 2017/2018
ACTIVELY PROMOTED PROJECTS			
3	Khuzdar-Basima Road N-30	110	Procedural formalities to be completed shortly
4	Upgradation of D.I. Khan - Zhob, N-50 Phase-I	210	Procedural formalities to be completed shortly
5	KKH Thakot-Raikot N35 remaining portion	136	Procedural formalities to be completed shortly
RAIL SECTOR PROJECTS			
6	Expansion and reconstruction of existing Line ML-1 (Rehabilitation & Up-gradation of Karachi-Lahore Peshawar (ML-1) Railway Track)	1,872	Feasibility completed;Finalization of modalities/terms of financing in process
7	Havelian Dry port (450 M. Twenty-Foot Equivalent Units), KPK	-----	Feasibility completed
8	Capacity Development of Pakistan Railways	-----	Focus groups to be established for effective training and capacity enhancement

Source: cpec.gov.pk/cpecinfo.com



Image 9: KKH Phase II (Thakot -Havelian Section), Gilgit Baltistan & KP | Source: cpecinfo.com

INDUSTRIAL COOPERATION

Apart from promoting regional connectivity and economic cooperation, CPEC aims to enhance industrial cooperation as well through resource mobility, economic integration, and information connectivity. The purpose of industrial cooperation is two-fold: firstly, growth of industries is required for economic growth, and secondly, to cater to the needs of the increasing labour market, employment opportunities need to be created, therefore, the emphasis on industrial cooperation and creation of special economic zones is a pre-requisite for Pakistan's prosperity. The progress of the projects is listed below.

NO.	PROJECT NAME	PROGRESS UPDATE
1	Gwadar-Nawabshah LNG Terminal and Pipeline, 700 km	To be inaugurated
2	Haier & Ruba Economic Zone Phase II	Feasibility stage
3	Optical Fiber Cable from Rawalpindi to Khunjrab	294 KM optical cable laid; expected completion date November 2017
4	DTMB Demonstration Project	Government MoU Signed
5	Lahore Orange Line Metro Train	Under construction
6	Promotion of TD-LTE commercialization in Pakistan	Feasibility stage

Source: cpec.gov.pk/cpecinfo.com



Image 10: Optical Fiber Cable from Rawalpindi to Khunjrab | Source: cpecinfo.com

WHAT HAS CPEC ACHIEVED SO FAR? A SUMMARY

To gauge the success of CPEC till date, an overview of what CPEC has achieved so far is vital for two reasons: firstly, eliminate myths and misconceptions about the initiative, and secondly, provide an insight for future investment opportunities with regards to economic growth.

1. CPEC is bringing approximately **\$35 billion** investments in energy projects to overcome the current energy shortfall, out of which \$26 billion has already been allocated⁵⁰ The energy projects under CPEC operate under the Independent Power Producers (IPPs) mode regulated through National Electric Power Regulatory Authority (NEPRA) tariffs and is not funded by the government, rather Chinese companies investing in the energy projects. The transition towards less expensive fuels and renewable energy resources will lead to low cost energy.⁵¹ With the current energy projects being implemented, more than **10,000MW**⁵² will be added to the national grid by **2018**.
2. Similarly, road and rail networks worth approximately **\$13 billion**⁵³ are being implemented in **all** provinces to facilitate and enhance connectivity within Pakistan. The upgradation of ML-I railway project worth approximately \$8.5 billion will upgrade the railway line from Karachi to Torkham plus connecting the remote regions of Pakistan.⁵⁴ The upgradation of transportation infrastructure is a current necessity for regional and economic integration, and economic growth of Pakistan.
3. Gwadar is being developed into a port city which will place Baluchistan at the upfront and make Gwadar a hub of economic activity. Gwadar is envisioned to be transformed into a smart city modelled on the Shenzhen model, a small fishing village in China which transformed into an economic and a technology industry innovation hub by making the city a special economic zone, focused on the city's technology and manufacturing industries. Shenzhen is lauded for being a role model of economic transformation. A similar transformation trajectory is expected out of Gwadar whereby smaller, privately owned companies will form the core of development in the region. The development in Gwadar is pivotal as it has a strategic significance for economic prosperity of Pakistan. It is the only node under the OBOR initiative which links the Silk Road Economic Belt and the Maritime Silk Road.

⁵⁰ <http://cpec.gov.pk/energy>.

⁵¹ http://www.finance.gov.pk/survey/chapters_17/14-Energy.pdf.

⁵² cpec.gov.pk and cpecinfo.com. See also, Daniel S. Markey and James West, "Behind China's Gambit in Pakistan," *Council on Foreign Relations*, May 2016.

⁵³ <http://cpec.gov.pk/infrastructure>

⁵⁴ <http://cpec.gov.pk/project-details/30>.

4. Another component of CPEC framework is industrial cooperation. Currently, feasibility studies of **3 Special Economic Zones (SEZs)** have been completed:⁵⁵

- Punjab, Allama Iqbal Industrial City (M3), Faisalabad: Land acquisition process being followed and 3000 Acres to be ready for zone construction by July 2018.
- KP, Rashakai Economic Zone (M-1), Nowshera: Under review of KPEZDMC/KP Government, and terms of agreement finalized with the developer.
- FATA, Mohmand Marble City: 350 Acres Zone is already on ground.

The SEZs, as part of the medium-term plan of CPEC are being constructed to boost economic growth in Pakistan by uplifting the manufacturing sector of Pakistan. These zones will function as bases for production of export-oriented local goods catering to domestic and international markets. Under the ambit of SEZs, transfer of industries from China to Pakistan will be a fruitful venture for the progress on industrialization especially in the less developed areas like Baluchistan, Gilgit Baltistan and FATA whereby technological transfer will improve Pakistan's infrastructure, energy and manufacturing capacity. There are **9 SEZs** which are under discussion to be incorporated within the CPEC regime.⁵⁶

5. Through CPEC **30,000**⁵⁷ direct jobs have been created in the energy and industrial sectors till date.

6. The workforce for the current CPEC projects in **2/3rd** Pakistani and only technical staff and experts are Chinese. Since most CPEC projects operate on a build-operate-transfer mode, there is an increased focus on vocational trainings to capacitate Pakistani workforce to overtake once CPEC projects are completed.

7. There is a fair share of CPEC project distribution in all provinces, keeping equity in mind. There is an emphasis on promoting industrial development in less developed provinces to facilitate economic growth and employment opportunities for locals in their regions.

8. CPEC projects are inclusive of social corporate responsibility and therefore, there has been an emphasis on developing welfare projects to facilitate socio-economic development of Pakistan.

⁵⁵ Primary Source: Abdul Samie, Director CPEC Secretariat, Board of Investment, Pakistan.

⁵⁶ <http://cpec.gov.pk/special-economic-zones-projects>.

⁵⁷ Primary Source: Data compiled by Pakistan-China Institute.

HOW IS CPEC BENEFITING PAKISTAN

Senator Mushahid Hussain Sayed, Chairman Parliamentary Committee on China-Pakistan Economic Corridor (CPEC) and Chairman Pakistan-China Institute has outlined several reasons whereby CPEC is befitting Pakistan, in the 2015-2017 Report of the Parliamentary Committee on CPEC.⁵⁸

1. At a time when Pakistan is facing pressures from the West particularly the United States, CPEC provides foreign policy options to Pakistan for the future.
2. It provides an effective counter-weight to India by countering Indian pressure with the support of China.
3. It would change the image of Pakistan into an investor-friendly country. Since China, the world's fastest growing economy is willing to invest in Pakistan, therefore; other international investors have also started to take Pakistan seriously, including Russia.
4. CPEC is the most important national strategic initiative of Pakistan since the 1970s when, after the breakup of Pakistan, Prime Minister Zulfikar Ali Bhutto launched the economic initiative to send Pakistani labour abroad to the Middle East in the 1970s followed by the strategic initiative to build the nuclear bomb. CPEC was launched at a time when no other country, neither from the west nor from amongst our Muslim brothers was willing to invest in Pakistan on such a vast scale for such a sustained period.
5. CPEC is a vote of confidence in the future of Pakistan and it has given a new hope to the people of Pakistan and the provinces. It is the way forward for Pakistan's future progress and prosperity.
6. CPEC promotes Pakistan's pivotal role in the regional connectivity between South Asia and Central Asia, as well as Iran and Afghanistan. In the context of regional cooperation, Pakistan is playing the role of a bridge.
7. CPEC will help resolve the energy crises of Pakistan by adding more than 10,000 MW in 2018 which will stimulate the economic development in the country.
8. CPEC has revived dead but strategically important projects like Thar Coal and Gwadar port which were being talked about for decades but never became functional. But, now these projects are active and productive.
9. CPEC has the potential to unite the federation and it will enhance road and rail connectivity from Gwadar to Gilgit. The ML-I railway project is one of the most ambitious railway plans in the history of Pakistan, worth approximately \$8.5 billion, which will upgrade the railway line from Karachi to Torkham plus connecting the remote regions of Pakistan.
10. The various projects being planned for Gilgit Baltistan will transform Gilgit Baltistan, which is the entry point of CPEC from China.

⁵⁸Senator Mushahid Hussain Sayed, "From the Chairman's Desk," *Parliamentary Committee on China-Pakistan Economic Corridor (CPEC) Report 2015-2017*.

11. CPEC offers the potential for major industrialization in Pakistan through transfer of industries from China to Pakistan particularly to the less developed areas like Baluchistan, KPK, Gilgit Baltistan and FATA through infrastructure, energy and special industrial zones which will also transfer technology from China and improve Pakistan's infrastructure, energy and manufacturing capacity.
12. The fiber optic cable from China via Kashgar to Islamabad will improve the digital connectivity of Pakistan.

INSIGHTS FROM THE FIELD

To gain a more nuanced perspective with regards to the scope of China-Pakistan Economic Corridor, it is significant to incorporate insights from the field and discuss the on-ground reality associated with the CPEC regime, particularly focusing on the major achievements in the less developed provinces.

1. GWADAR CPEC CLINIC

Interview of Dr. Saeed Elahi, Chairman Red Crescent Pakistan (PRC)⁵⁹

As an initiative to expand the horizon of China-Pakistan Economic Corridor from being limited to an economic corridor, Dr. Saeed Elahi in close consultation with Senator Mushahid Hussain proposed to introduce a humanitarian aspect to the CPEC regime. This was important to introduce for two reasons: firstly, the displacement of local populations because of initiating large development projects instils a fear of losing livelihood due to which they oppose the projects, and secondly, displacement coupled with fear forces the local population to resort to extreme steps affecting the projects which promise them vast opportunities to improve their livelihood. Hence, there is a need for planning and developing social and livelihood services for the local populations along the corridor route to ensure safer, resilient and self-sustaining communities.

The PRC in accordance with its mandate and Integrated Programming Approach (IPA), plans on undertaking several projects with the assistance and collaboration of local societies and the national government. The primary aim of the humanitarian project is to facilitate disaster relief and humanitarian assistance to local population along the 3000km corridor, providing a linkage between Gilgit Baltistan (North) and Gwadar (South). This project is divided into three segments:

⁵⁹ Interview: Dr. Saeed Elahi, Chairman Pakistan Red Crescent, 18 August 2017.

1. Construction of basic health units constituting first-aid resources, ambulances, medical professionals and public health services every 50-60 kilometres.
2. Initiation of an air-ambulance located at approximately every 500km to provide easy accessibility for local population to medical facilities.
3. Creation of 2-3 trauma and emergency centers along the corridor.

To this effect, PRC has initiated the opening of a **10-bed pre-fabricated Humanitarian Medical Emergency Centre in Gwadar on May 7**, which was established within 30 days with the assistance of the China Red Cross Foundation (CRFC). The total investment in this project is \$US 2.5 million and the initial mode of operation of the hospital is controlled by the Chinese for 2 years, after which the transition of control will fall into the hands of the local government and the PRC. The PRC is currently formulating a plan for introducing an eye clinic and cardiac facility as an extension to this medical facility, along with promoting local entrepreneurship in the capacity of doctors and paramedics to acquaint them with the medical facility. It is also in the process of introducing Chinese language classes for locals to facilitate the training process along with promoting cultural connectivity which is vital for peaceful co-existence. The second **50-bed pre-fabricated Humanitarian Medical Emergence Centre** is soon to be set up in Gilgit Baltistan as well. The future plans for PRC involve the construction of a desalination plant for clean drinking water in Gwadar and Gilgit Baltistan as part of their mandate for health. In terms of the sustainability of the project, there is simultaneous training, capacity building mechanisms and health awareness schemes being introduced with regards to the medical facilities being constructed.

By stating “as CPEC grows, we grow with it,” Dr. Saeed Elahi highlighted that Pakistan Red Crescent focuses on integrating individuals and communities exposed to crisis, fears and vulnerabilities to mitigate the fear along with infusing a sense of participation and ownership, ensuring unhindered success of development projects. There is a strong emphasis on training and capacity building of local volunteers to participate and take lead in effectively responding to challenging situations and disaster management. He believes CPEC is a national development plan and should not be labelled as promoting certain provinces over the rest. The primary reason for initiating humanitarian projects in Gwadar and Gilgit Baltistan was to promote development in the regions which are currently less developed and lack such facilities. The initiation of a humanitarian corridor in this region will prove beneficial for the local population and promote sustainable urban development in the long run. It is vital to highlight the success stories and bring into limelight the projects which have been initiated and implemented in such provinces to negate myths about CPEC.

2. GWADAR PORT DEVELOPMENT: UPLIFTING BALUCHISTAN

Interview of Minister of Ports & Shipping, Mir Hasil Khan Bizenjo⁶⁰

⁶⁰Interview: Minister of Ports & Shipping, Mir Hasil Khan Bizenjo, 24 August 2017.

The development of Gwadar port is significant with regards to *re-shaping the outlook of Baluchistan province*. The lack of development initiated in the province has placed it at a disadvantage. Mr. Mir Hasil Khan Bizenjo, the Minister of Ports & Shipping commented on the significance of the Gwadar port by highlighting that CPEC associated development in Gwadar will greatly impact the overall future setting for trade and regional connectivity. Gwadar is the core of the China-Pakistan Economic Corridor has a strategic significance for economic prosperity of Pakistan. The port which is a *green-field port* meaning that it's a port which can be further developed and expanded, will also be acting as a transit port, making this Pakistan's first multi-dimensional port (not limited for export/import activities) and the impact of its development will be long-term as it will affect the dynamics of trade and economic relations among various countries.



Image 11: Gwadar Port | Source: Gwadar Port Authority

The Minister acknowledged the role played by the Pakistan Navy in the socio-economic development of the Makran coast whereby the Navy created robust employment opportunities and strategies to safeguard maritime activities. The Minister commented that the increased maritime activity will require effective maritime security and cooperation between navies and inter-agencies to ensure safe and continuous trade, and applauded the efforts of the Pakistan Navy in playing a crucial role in providing maritime security for the sea trade route. The Pakistan Navy has formed a **Special Security Division of Pakistan Army** comprising of **15,000 troops** to be employed in Gwadar to ensure safety for investors and employees.

The construction of this port and trading activities will result in contributing towards Pakistan's economy and prove to be beneficial for the socio-economic development of Baluchistan. Gwadar is an "emerging new city" which will become an economic hub, proving beneficial for improving the livelihood of individuals in Gwadar and its proximate areas.

3. INDUSTRIAL DEVELOPMENT IN KHYBER PAKHTUNKHWA

Interview of Hassan Ansari, Chief of Strategy & Business Planning, Chief Minister Office Khyber Pakhtunkhwa⁶¹

While commenting on the significance of CPEC for Pakistan, Hassan Ansari raised a few crucial aspects of CPEC and debunked certain myths associated with the project. Firstly, Pakistan's location in CPEC is significant for the success of the project, as it is the only direct route, other than Myanmar which provides a link to Xinjiang province in China. Xinjiang is the under-belly of China, a province which needs to be economically uplifted and strengthened for the continued economic prosperity of China. This is contingent upon the stability of the region which contains the only meeting point of the Silk Road Economic Belt and the Maritime Silk Road. The stability in Pakistan is related to economic prosperity, an aspect which is associated with dividing the share of CPEC equally amongst all provinces. Secondly, the success of CPEC is contingent upon mutual dependence of countries associated with the project, which resonates with the shared responsibility theme of OBOR. Therefore, it is unwise to fall for fallacious remarks about the Chinese taking over local jobs because of three main reasons: firstly, China is not acting as an external power, trying to colonize Pakistan, secondly, employing Chinese labour is an expensive substitute the Chinese investors will not make, and thirdly, the underlying concept of OBOR is mutual interdependence for stability, peace and economic progression, a vision which will be undermined if the locals do not prosper under CPEC.

Thirdly, elaborating on why the Chinese investment is not taxed, Hassan Ansari raised a crucial point. The China-Pakistan Economic Corridor is opening a north-south trade route for Pakistan to Central Asia, along with providing Pakistan a long-term economic development plan, therefore, it is unwise to tax an investment which is improving the geo-strategic position of Pakistan. CPEC is providing Pakistan international connectivity and regional integration which will economically benefit the country. Fourthly, the misrepresentation about CPEC is existent due to an information gap and the lack of awareness which prevails regarding the mega project, an aspect which needs to be resolved. The Planning Commission and Government agencies need to proactively take an initiative in disseminating information and making the public aware regarding the details of the mega project.

Lastly, the China-Pakistan Economic Corridor is providing an avenue for the local businesses to treat their knowledge about the location (culture, land, market) as an asset when forming partnerships with the Chinese counterparts whose expertise lay in business management. For the economic progress of Khyber Pakhtunkhwa, the local businessmen need to focus on the

⁶¹ Interview: Hassan Ansari, Chief of Strategy & Business Planning, Chief Minister Office Khyber Pakhtunkhwa, 20 September 2017.

quality of the project, and acquiring a share, instead of focusing on the quantity of the share. The quality of the project will be enhanced due to the value being added through the local businesses knowledge about the region. The division of responsibilities according to each party's strength is necessary for successful establishment of the project. He recommends local businesses to refrain from adopting protectionist measures and rent-seeking behaviour which will only add cost to the business.

To highlight the progress being made in Khyber Pakhtunkhwa province under CPEC through special economic zones, the Rashakai SEZ was provided as an example of the significance of CPEC for Pakistan. CPEC is in align with the Provincial Government Agenda of human resource development whereby creating jobs for the youth and boosting growth across all economic sectors through 'investment led initiatives' is a priority. CPEC is necessary for the socio-economic development of Khyber Pakhtunkhwa. The success of CPEC is only possible if each province is treated equally. The economic prosperity of Pakistan is necessary for the success of CPEC, which is contingent upon stability in the region arising from equally dividing the development projects across provinces. The positive impact of CPEC in Khyber Pakhtunkhwa is seen through the Chinese investment that has poured into the region since the initiation of this mega project.

Facts about Rashakai SEZ:⁶²

Rashakai SEZ is being jointly developed by KPEZDMC with a state-owned Chinese firm on Public-Private Partnership (PPP) mode, and is expected to attract investment of over USD 4 billion with an initial investment of USD 100 billion. The SEZ has taken social corporate responsibility in consideration. The Rashakai SEZ is a step forward in the direction of increasing the domestic manufacturing base. With an easy access to Chinese and central Asian markets through infrastructural development under CPEC, export of the domestic manufactured products is likely to rise. The provincial economy under CPEC is expected to grow at more than 7% for the next decade and more than 2 million jobs would be added to the market.

The following benefits would arise for the residents of Khyber Pakhtunkhwa province:

- About 40,000 direct jobs would be created in the SEZ and additional 200,000 jobs are expected to be created by the resulting economic activities of SEZ.
- The development of Rashakai SEZ will lead infrastructure development of nearby urban areas, particularly Nowshera, Mardan and Swabi. Already the Government of K-P has signed an agreement with FWO for development of a new city in Nowshera District.
- The success of Rashakai SEZ will also bring business tourism sector of the province.

⁶² Primary Source: Muhammad Tayyab Rauf, Strategy and Business Planning, Khyber Pakhtunkhwa Economic Zones Development and Management Company (KPEZDMC).

The SEZ has also taken into consideration social corporate responsibility:

- More than 70% of the jobs would be given to local labour force. In this regard, KPTEVTA has already been linked with a Chinese firm for training and development of local labour force.
- To encourage eco-friendly investment, KPEZDMC would share up to 25% of the electricity cost for three years with the enterprises that bring innovative and green technologies.
- For Women Entrepreneurs, KPEZDMC is offering equity to their business (up to 3 million PKR).

The China-Pakistan Economic Corridor is integral for the economic prosperity of Pakistan through regional collaboration.

4. THAR COAL BLOCK II, ENGRO

The Sindh Engro Coal Mining Company (SECMC) and its affiliates are engaged in project management, contracting and financing the development of the Thar Coal Block II which is facilitated by the Sindh government.

Sindh Engro Coal Mining Company (SECMC) signed key financing agreements worth PKR 50 billion, with leading corporations of Pakistan and China, as well as with top financial institutions of Pakistan. The Master Shareholder Agreement included covering the entire common equity subscription of SECMC's Thar Coal Project and demonstrates the confidence of leading sponsors in the project. Mr. Khurshid Jamali, Chairman Board of Directors, SECMC, commented: "This major breakthrough has only been made possible through the instrumental support provided at all forums Government of Pakistan, Government of Sindh, Engro, Thal Limited (House of Habib), Habib Bank Limited, HUBCO, CMEC (China Machinery Engineering Corporation), UBL, Bank Alfalah, Faysal Bank, Askari Bank, Sindh Bank, Meezan Bank and Bank of Punjab."⁶³

Facts:⁶⁴

- An estimated 1.57 billion tonnes of exploitable lignite coal reserves within the block, enough to produce 5000 MW for 50 years.
- Total mining capacity: 20.62 MT per annum.
- Power generation capacity: 4000MW (to be developed in phases in the next 10 years).

⁶³ News Centre, Press release: "SECMC signs Master Shareholder Agreement & Loan Financing Agreement worth USD 500 million," Engro (2015).

⁶⁴ Shamsuddin A. Shaikh, "Thar coal: where it's going," *The Dawn*, May 2015.

- Power from the project is anticipated to be made available to the national grid by December 2017.
- SECMC's corporate social responsibility initiatives includes the following projects:
 - medical and livestock health camps, livelihood training and provision of technical training to students in Tharparkar.
 - Establishment of 6 primary and 3 secondary schools in Block II Islamkot- MoU signed with The Citizen's Foundation.



Image 12: Engro Thar Block II Coal Fired Power Plant, Sindh | Source: cpec.gov.pk

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CPEC AND PAKISTAN'S ECONOMY

1. LOCAL EMPLOYMENT

Industrial development is the most reliable strategies to ensure sustained economic growth and Pakistan has always focused on the clustering of industries as a strategy for industrial development. With the inception of CPEC, a prime focus was placed on creating special economic zones. A **Special Economic Zone (SEZ)** is “a specific area of the land used to promote industrial growth in a country by providing more lenient economic and tax policies as compare to general economic policies in a country-enhanced the openness through factor mobility, technology transformation and research and development activities around the

world.”⁶⁵ The SEZ is part of the medium-term phase of CPEC projects where implementation of projects is aimed at developing a more effective economic system. The special economic zones (SEZs) along China-Pakistan Economic Corridor (CPEC) are being created to boost economic growth in Pakistan by uplifting the manufacturing sector which will cater to the domestic market as well as the regional demand. Each zone will be able to provide a unique set of incentives for the investor to set up a business and start manufacturing such as skilled labour force, raw materials, linkages. The products manufactured in SEZs will be sold in local markets in addition to being exported, generating a revenue for the local market. The Lahore Chamber of Commerce and Industry (LCCI) President Abdul Basit commented that “the Special Economic Zones (SEZs) are an important part of CPEC that would ensure establishment of industrial clusters and would also help in transferring knowledge and technology.”⁶⁶

CPEC will reshape the labour market dynamics, stimulating job creation through SEZs. Firstly, creation of jobs for local skilled and semi-skilled workers, hired from Pakistan due to wage-price competitiveness. Secondly, to meet the rising demand of labour, the government and various enterprises have initiated the vocational training and professional development programs for workers to create a diversified skilled Pakistan labour force. According to a report on CPEC and its employment opportunities compiled by the International Labour Organization (ILO) revealed that “CPEC projects would be adding **400,000** jobs for the 36 projects underway by the year 2030 to the Pakistani employment portfolio, boosting up Pakistan’s GDP by approximately 2-2.5%.”⁶⁷ According to the data shared to PCI, in the form of special reports compiled by companies associated with specific energy and transportation projects, CPEC has created 30,000 jobs in the energy and infrastructure sector as illustrated in the table below till date.⁶⁸

CURRENT PROJECT	NUMBER OF JOBS
ENERGY	
Dawood Wind Farm	200+
Sachal Wind Farm	200
Jhimpir Wind Farm 100MW	850
Three Gorges 2 nd Wind Power Project	200+
Karot Hydro Power Plant	2000+
Suki Kinari Hydro Power Plant	4000+

⁶⁵ Dr. Karim Khan and Saba Anwar, “Special Economic Zones (SEZs) and CPEC: Background, Challenges and Strategies,” Pakistan Institute of Development Economics, 2017.

⁶⁶ The Express Tribune Correspondent, “CPEC will allow Pakistan to become global leader,” July 2016.

⁶⁷ “Development Insight: Redefining Poverty,” *Planning Commission of Pakistan*, Volume 1, Issue 2, November 2016: 12-13.

⁶⁸ Primary Source: Data compiled by Pakistan-China Institute.

Quaid-E-Azam Solar Power Plant	3000
Sahiwal Coal Plant	3000
Port Qasim Coal Power Plant	5000 direct + 300 (operational)
CPHGC Coal Power Plant	2000+
Thar Block II Lignite Mining and Coal Fire Power Plant Project	1000+
TRANSPORT	
Gwadar Free Zone	497 (274, most out of 130 at port) +2000 indirect
Peshawar-Karachi motorway	9800
KKH Phase II, Thakot -Havelian Section	2071
Orange Line Metro Lahore	956
Fiber Optic project	580

Source: Special Reports compiled by companies associated with specific energy and transportation projects

2. POVERTY ALLEVIATION

The China-Pakistan Economic Corridor is aimed at uplifting the socio-economic development of Pakistan and in doing so facilitate poverty alleviation by expanding employment opportunities. Poverty alleviation is a long-term spillover effect of CPEC. With the increase in employment rates and decent working environment (sustainable development goal), one can expect to reduce the poverty level in the country. The government of Pakistan, announced a new national poverty line in 2016, setting a higher standard for wellbeing at the poverty line, identifying 29.5% of the population as poor.⁶⁹ Pakistan has been able to achieve Pakistan has indeed achieved significant success in reducing poverty from 34.7% to 9.3% between 2001-2014, a 75% reduction in poverty over 14 years.⁷⁰

To provide evidence for the welfare impact of CPEC on the socio-economic welfare in different regions of Pakistan, a district level analysis was conducted by Pakistan Institute of Development Economics. The survey focused on education, health and housing conditions under the context of Sustainable Development Goals and covered 115 districts of Pakistan.⁷¹ The survey has remarked CPEC to be a promising initiative with regards to social welfare of

⁶⁹ Pakistan Development Update, "Making growth matter," *The World Bank*, November 2016: 28.

⁷⁰*Ibid*, 31.

⁷¹ Rashida Haq and Nadia Khan, "Impact of CPEC on Social Welfare in Pakistan: A District Level Analysis," *Pakistan Institute of Development Economics* (2016):8.

Pakistan. The construction of regional infrastructure facilitates in increasing the standard of living and poverty reduction by connecting isolated places and people with the major economic centres and markets, narrowing the development gap among a region.⁷² In this backdrop, CPEC is increasing geographical connectivity and creating direct employment opportunities for individuals in the proximate areas where these projects are being implemented, leading to an increase in the household income. According to the survey findings, “the development vitality of this project indicates that there will be 5.21 percent growth in social wellbeing in Pakistan, up till 2020. At provincial-level the impact of highest growth in social welfare can be ranked: Baluchistan (6.4 percent), Sindh (6.31 percent), KP (5.19 percent), and Punjab (3.5 percent), respectively. The net impact can also be depicted by its three dimensions of social welfare as; education 3.85 percent, health 4.74 percent and housing 8.6 percent, also indicating high growth in terms of housing conditions.”⁷³ The sustainability of such a pattern and long-term poverty alleviation is only possible if decent work conditions are promulgated and industrial expansion becomes a norm.

WHAT CAN CPEC PROMISE?

1. SOCIAL-SECTOR DEVELOPMENT PROJECTS

The China-Pakistan Economic Corridor aims to promote the China-Pakistan long term partnership and facilitate the social development of Pakistan with an emphasis on welfare projects. Some of the projects highlighted under this category are as follows:

- People to People Exchanges

There is intensified effort for people to people contact, media and cultural exchanges carried forth through agreed yearly programs to promote Chinese and Pakistani culture and heritage.⁷⁴ Pakistan-China Institute acts as diplomatic bridge for enhancing institutional collaboration and cultural & economic engagement interest in promoting the cultural ties between the two countries. Under its cultural connectivity initiative, it has created the first bilingual cultural magazine: Youlin Magazine and Website, published travelogues, hosted and participated in cultural exhibitions, hosted book launches and is also the pioneer of language learning programs.⁷⁵

⁷² Biswa Nath Bhattacharyay, “Estimating Demand for Infrastructure in Energy, Transport, Telecommunications, Water and Sanitation in Asia and the Pacific: 2010-2020,” *Asian Development Bank Institute*, September 2010.

⁷³ Rashida Haq and Nadia Khan, “Impact of CPEC on Social Welfare in Pakistan: A District Level Analysis,” *Pakistan Institute of Development Economics* (2016): 27.

⁷⁴ China-Pakistan Economic Corridor, “CPEC Projects,” *Ministry of Planning and Development Reform*, <http://cpec.gov.pk/project-details/61>.

⁷⁵ Pakistan-China Institute, <http://www.pakistan-china.com/index.php>.

- Transfer of Knowledge and Technology in Different Sectors

Experts from China and Pakistan from Industrial zones, rural and urban development, job creation & SMEs, water resources management & treatment and agriculture partake in the transfer and development of knowledge and technology.⁷⁶ At present, new sub-center of the China-South Asia Technology Transfer Centre (CSTTC) at the Pakistan Council of Scientific and Industrial Research (PCSIR) has been inaugurated on July 8, 2017. The Chairman PCSIR Dr. Shahzad Alam stated that “26 joint research and development projects had been discussed during 18th Session of the joint committee on scientific the technical sessions with the delegation and memorandum of understanding (MoU) would be signed to implement the approved projects. As per the proposal made by China, a South Asia Science and Technology Centre would be set up in each regional country, whereby, China would provide financial support to Pakistan and other member states for setting up the centers and research laboratories for technology transfer and development.”⁷⁷

2. WELFARE PROJECTS

Good Health and Well-Being: Under the welfare projects scheme, CPEC initiative are focused on facilitating the mutual-cooperation on improving the medical treatment and upgrade the medical development of Pakistan and China to foster benefits to the local patients and facilitate long-term cooperative partnership between the two countries.

- Remote Cross-border Medical Service Platform

A Cross-border Remote Medical Service Cooperation Agreement between China and Pakistan is being currently processed to promote the cooperation in the public health and medical treatment fields of Pakistan and China for an enhanced overall strategic cooperative relationship between the two countries. The project “**Construction Scheme for the Project of Silk Road Economic Belt Cross-border Telemedicine Service Platform**” aims to conduct cross-border medical treatment consultation, promote exchange and mutual learning and enhance the medical treatment level of local hospitals (approximately 15-20 public hospitals across Pakistan: Punjab, Baluchistan, KPK, Sindh, Gilgit Baltistan) to promote medical development and benefits acquired by local patients.⁷⁸

- Eye Train Hospital- Cataract Surgical Operations in Karachi

⁷⁶ China-Pakistan Economic Corridor, “China-Pakistan Economic Corridor, “CPEC Projects,”. *Ministry of Planning and Development Reform*, <http://cpec.gov.pk/project-details/62>.

⁷⁷ Pakistan Council of Scientific & Industrial Research, <http://www.pcsir.gov.pk/?Page=Slider&pg=1012>.

⁷⁸ Primary Source: Mr. Jia Wei, First Secretary (S&T), Embassy of the People’s Republic of China in the Islamic Republic of Pakistan.

The Lifeline-Express fund is a charity project is involved in mobilizing social and public power working in accordance with the government for blind prevention and poverty alleviation programs. Under the CPEC welfare project agenda, the Lifeline Express has agreed to conduct 500 free cataract surgical operations in Karachi in November.⁷⁹

3. SUSTAINABLE DEVELOPMENT GOALS (SDGS)

So far, certain elements of SDGs are being witnessed in the projects initiated under the ambit of CPEC in the four major sectors of CPEC, namely Energy, Transportation Infrastructure, Gwadar Port and Industrial Cooperation. There needs to be an emphasis on the continued sustainability of the development projects being initiated under CPEC.

NO POVERTY: The micro-economic aspect of CPEC is to facilitate in alleviating poverty by creating jobs in the areas directly linked with the projects in the short-term as well as develop a diversified skill-set of the workforce with the rising demand in labour. For instance, CPEC has generated **30,000** jobs in the energy and transport infrastructure industry till date.⁸⁰

AFFORDABLE AND CLEAN ENERGY: The energy projects have been devised keeping in mind the environmental sustainability of the projects. There is an emphasis on clean and renewable energy- the early harvest projects are inclusive of hydro-power and wind-power plants, both being clean and renewable energy resources. With regards to the coal-fired power plants, the power plants operate using supercritical technology⁸¹ (green technology) to achieve higher efficiency and reduction of 2% to 3% in carbon dioxide (CO₂) emissions.⁸²

DECENT WORK AND ECONOMIC GROWTH: The main incentive to create Special Economic Zones is to facilitate domestic and foreign investment in various sectors of Pakistan's economy to create a source of revenue generation leading to an improved economic growth of the country. The outcome of these zone will be an increase in employment opportunities and development of skilled labour force. With regards to the former aspect, employment opportunities for the local population will inevitably increase due to wage competitiveness. With regards to the latter aspect, there is an emphasis on vocational training and professional development placed forth by various enterprises engaged in these projects to ensure that the Pakistan's workforce is well capacitated with the advanced technology and techniques to ensure advancement in their field and for securing their employment. Additionally, a skilled workforce is necessary for engaging Chinese businessmen for future projects in Pakistan to offset the cost of substituting Chinese work force.

⁷⁹ Primary Source: Mr. Jia Wei, First Secretary (S&T), Embassy of the People's Republic of China in the Islamic Republic of Pakistan.

⁸⁰ Primary Source: Data compiled by Pakistan-China Institute.

⁸¹ Paul Breeze, "Critical thinking: Ultra and supercritical technology focus," *Power Engineering International*, March 2017.

⁸² Keith Burnard et al., "Emissions Reduction through Upgrade of Coal-Fired Power Plant," *International Energy Agency*, 2014.

INDUSTRY INNOVATION AND INFRASTRUCTURE: The establishment of facilities which foster technology transfer and development are aimed at facilitating the capacity building of local industries and training the workforce to adapt and learn the new skills employed in various advancing industrial sectors. The creation of China-South Asia Technology Transfer Centre (CSTTC) is one example whereby the successful implementation of transfer and development of technology can aid in capacitating the various local industries in being efficient and sustain quality along with helping diversify and develop the skill-set of the workforce employed in these industries.

4. TRADE AND COMMERCE

The increase in economic activity under CPEC will have a positive impact on trade and commerce. There are various avenues through which trade flow will increase. Firstly, the development of transport infrastructure under CPEC will a) reduce the current infrastructure deficit and facilitate in connecting the production base with domestic and foreign markets, b) promote market competitiveness and production of high quality products through internal connectivity by decreasing transportation costs and post-production losses, and c) rectify Pakistan's regional integration and strengthen economic integration with easy market access to China and other regional trading partners. Secondly, the development of energy infrastructure will mitigate the persistent energy shortages which hamper the industrial functioning, straining the economic growth. The addition of 10,000MW⁸³ (as part of the early harvest projects to be completed by 2018) on the national energy grid will improve the manufacturing and export sector's access to energy and production growth, adding to the GDP growth. Thirdly, the low-cost production of high quality goods in the domestic market coupled with regional connectivity will prove beneficial to local businesses and enhance trading opportunities. Fourthly, the construction of special economic zones as competitive export production hubs with energy and human capital provisions designed to attract investment will boost the manufacturing sector of Pakistan through joint ventures, adding to the economic growth and employment opportunities for locals.

5. TOURISM AND CULTURAL CONNECTIVITY

China-Pakistan Economic Corridor intends to foster regional integration through cultural connectivity. The progress of CPEC has witnessed strengthening people-to-people connectivity between Pakistan and China. President Xi Jinping in his speech at opening of Belt and Road forum highlighted the need for establishing a multi-tiered mechanism for cultural and people-to-people exchanges, building more cooperation platforms and opening more cooperation channels.⁸⁴The outcome of this vision has attributed to the growth observed in the domestic

⁸³cpec.gov.pk and cpecinfo.com. See also, Daniel S. Markey and James West, "Behind China's Gambit in Pakistan," *Council on Foreign Relations*, May 2016.

⁸⁴ President Xi Jinping, "Full text of President Xi's speech at opening of Belt and Road forum," Xinhua (May 2017).

tourism industry in Pakistan due to the infrastructure development, an improved road network along with the improvement in the security situation. According to the Travel and Tourism Competitiveness Index 2017 released by the World Economic Forum, Pakistan has seen an improvement in its ranking by one point in 2017: 124/136 as compared to 125/141 in 2015. The total receipts per arrival has been amounted to \$317 million, with travel and tourism having a share of 2.8% of GDP.⁸⁵ The Pakistan Tourism Development Corporation (PTDC) Policy and Promotion Manager Mukhtar Ali stated that “the growth in tourists visiting northern areas increased by 25% as compared to last year due to measures taken by the government to improve law and order situation in those areas.”⁸⁶ Keeping in line with regional integration, the AJK President Masood Khan has recently disclosed the development of a tourism corridor under CPEC to facilitate the tourists in accessing the region.⁸⁷ This provides another dimension of CPEC- it is not merely an economic corridor rather a cultural bridge.

⁸⁵ Pakistan Travel & Tourism Competitiveness Report 2017, “Country Profiles,” *World Economic Forum*.

⁸⁶ The Express Tribune Correspondent, “More than one million tourists visited northern areas of Pakistan this season,” *The Express Tribune*, August 2016.

⁸⁷ The Express Tribune Correspondent, “AJK plans tourism corridor along CPEC,” *The Express Tribune*, April 2017.

CONCLUSION

The aim of this report was to debunk myths about the China-Pakistan Economic Corridor and provide a factual insight of the project. Due to a lack of information dissemination regarding the project, the general population is unaware of the underpinnings of the project, therefore, it becomes vital that awareness and understanding of the project becomes available. The paper is inclusive of the general perceptions of individuals in Pakistan regarding CPEC and has rebutted the misperceptions by providing factual accounts of the details of the project. The Pakistan-China Institute (PCI) has been trying to fill the gap and provide a platform for verifiable and authentic news and updates about CPEC. It has a dedicated website, **cpecinfo.com** primarily for updates and events related to the China-Pakistan Economic Corridor. This report has outlined the various dimensions of the project as well provided factual accounts regarding the project with the aim that the misperceptions regarding the China-Pakistan Economic Corridor (CPEC) are rectified.

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Appendix 1 - Survey: Public Opinion Survey on China-Pakistan Economic Corridor

WHAT IS CHINA-PAKISTAN ECONOMIC CORRIDOR (CPEC)?

This survey is designed by Pakistan-China Institute (PCI) to assess the perception and awareness of respondents with regards to the various impacts and challenges that Pakistan will face in its association with the China-Pakistan Economic Corridor.

Pakistan-China Institute is a non-political, non-partisan think-tank dedicated to promoting and strengthening Pakistan-China relations and has emerged as a pivotal bridge between the two countries, playing a significant role in furthering cultural engagement and Belt & Road cooperation.

* Required

1. What is your gender? *

- Female
- Male
- Other

2. What is your age? *

- 18-24
- 25-34
- 35-44
- 45-54
- 55 and Above

3. What is your highest educational qualification? *

- Bachelor's Degree (BA, BSc.)
- Master's (MA, MSc.)
- Doctoral (PhD)
- Other

4. What is your occupational status? *

- Student
- Government Employee
- Private Sector Employee
- Non-Profit Sector Employee
- Journalist
- Economic and Policy Expert/Researcher/Analyst

- Unemployed

5. What is your political affiliation? *

- PML-N
- PPP
- PTI
- Other

6. Do you think you are well-informed about CPEC? *

- Yes
- No
- Maybe

7. Do you think CPEC will be a game changer for Pakistan? *

1. Strongly Agree
2. Somewhat Agree
3. Neither Agree nor Disagree
4. Somewhat Disagree
5. Strongly Disagree

8. Do you think CPEC will have a positive impact on the economy of Pakistan? *

1. Strongly Agree
2. Somewhat Agree
3. Neither Agree nor Disagree
4. Somewhat Disagree
5. Strongly Disagree

9. Do you think CPEC will result in improving the standard of living of a common Pakistani citizen? *

1. Strongly Agree
2. Somewhat Agree
3. Neither Agree nor Disagree
4. Somewhat Disagree
5. Strongly Disagree

10. Do you think that the flow of Chinese goods in local markets will negatively impact local businesses? *

- Yes
- No
- Maybe

11. Do you think that CPEC funding from China is in the form of a loan? *

- Yes
- No
- Maybe

12. Do you think that CPEC funding from China is a foreign directed investment? *

- Yes
- No
- Maybe

13. The National Electric Power Regulatory Authority (NEPRA) has allowed building in tariff the additional security cost leading to a 1% reduction in the capital cost in power tariffs for ensuring the safety of Chinese personnel and CPEC projects. The additional security cost will be borne by the energy consumers paid through their electricity bills. Do you believe it is fair to burden the consumers with this security cost? *

- Yes
- No
- Maybe

14. According to you, which province is going to gain the most from CPEC? *

- Punjab
- Sindh
- Baluchistan
- Khyber Pakhtunkhwa

15. Do you believe that the federal government is mindful of equity issues and has ensured that all provinces get a fair share of CPEC projects? *

- Yes
- No
- Maybe

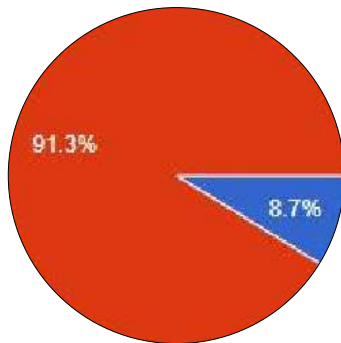
Appendix 2 - Survey: Public Opinion Survey on China-Pakistan Economic Corridor Results

1. What is your gender?

1,011 responses

Female

Male



3. What is your highest educational qualification?

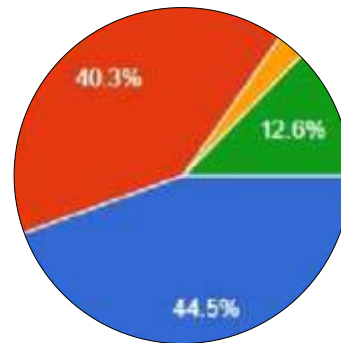
1,011 responses

Bachelor's Degree (BA, BSc)

Masters (MA, MSc.)

Doctoral (PhD- 2.7%)

Other



2. What is your age?

1,011 responses

18-24

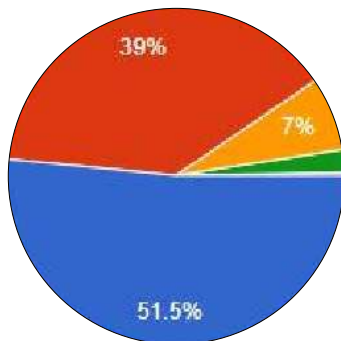
25-34

35-44

45-54

(2.2%)

55 and Above



4. What is your occupational status?

1,011 responses

Student

Government employee

Private Sector Employee

Non-Profit Sector Employee (3.7%)

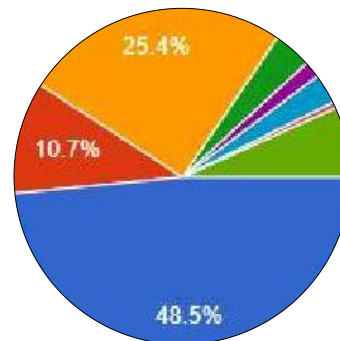
Journalist (1.6%)

Economic and Policy Expert/

Researcher/Analyst (2.9%)

Political Leader (0.6%)

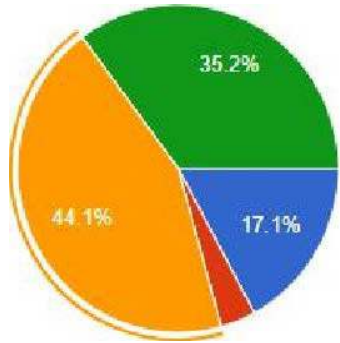
Unemployed (6.7%)



5. What is your political affiliation?

1,011 responses

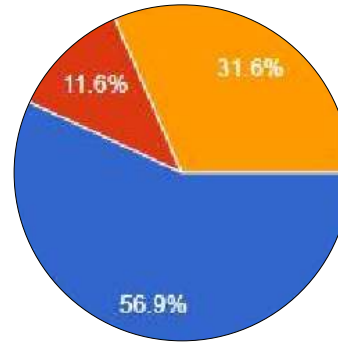
PML-N
PPP
PTI
Other



6. Do you think you are well-informed about CPEC?

1,011 responses

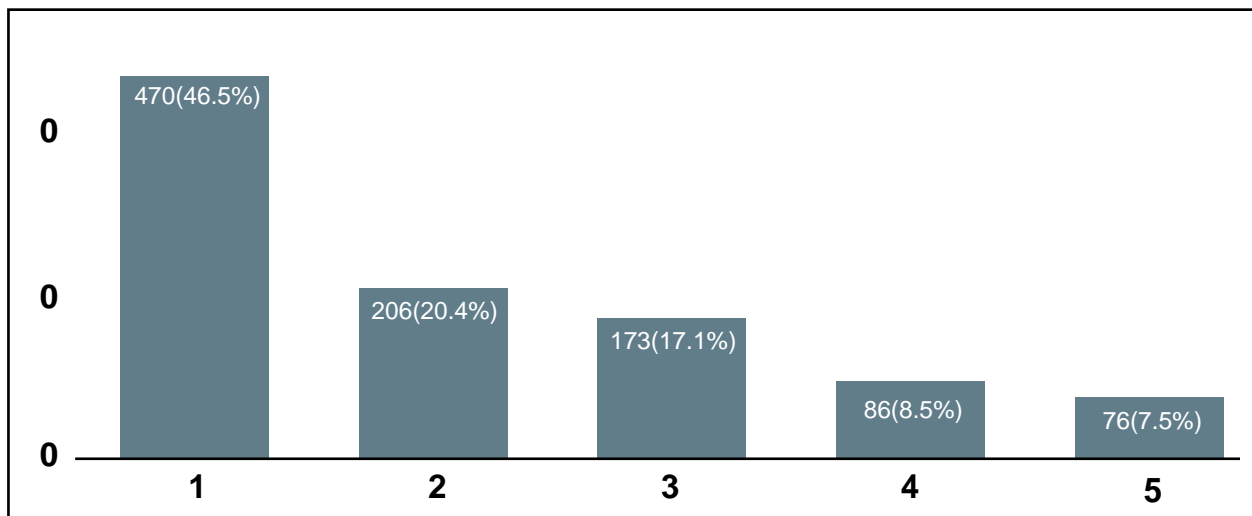
Yes
No
Maybe



7. Do you think CPEC will be a game changer for Pakistan?

1,011 responses

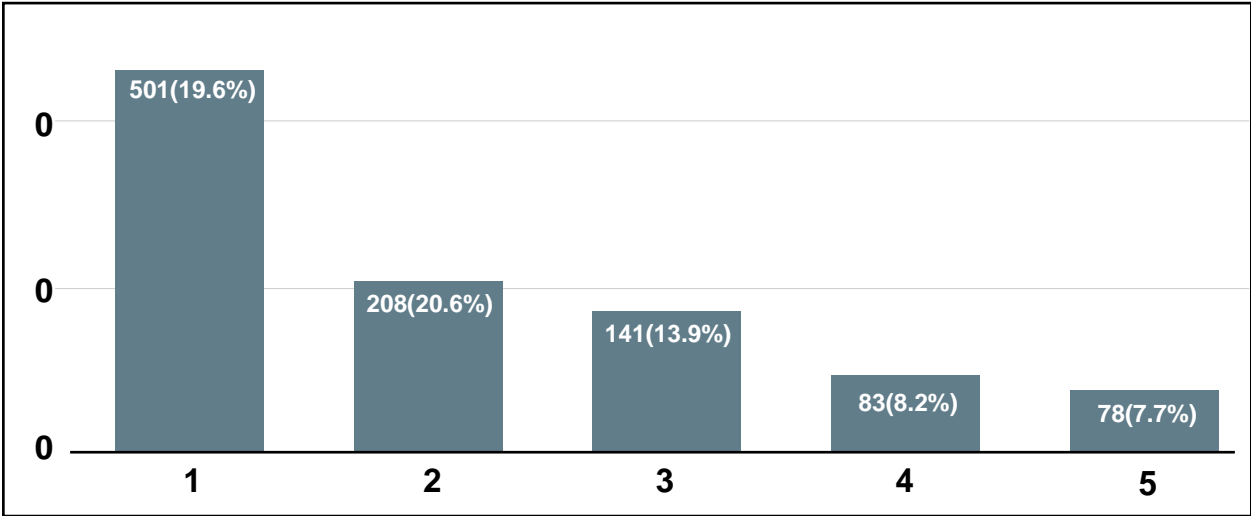
1.Strongly Agree
2.Slightly Agree
3.Neutral
4.Slightly Disagree
5.Strongly Disagree



8. Do you think CPEC will have a positive impact on the economy of Pakistan?

1,011 responses

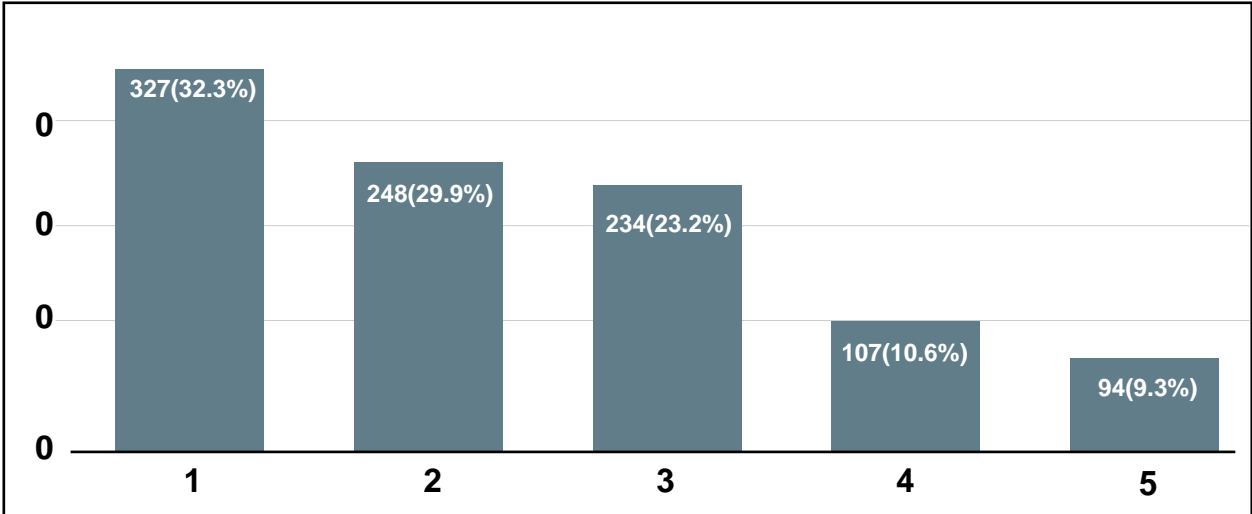
- 1. Strongly Agree
- 2. Slightly Agree
- 3. Neutral
- 4. Slightly Disagree
- 5. Strongly Disagree



9. Do you think CPEC will result in improving the standard of living of a common Pakistani citizen?

1,011 responses

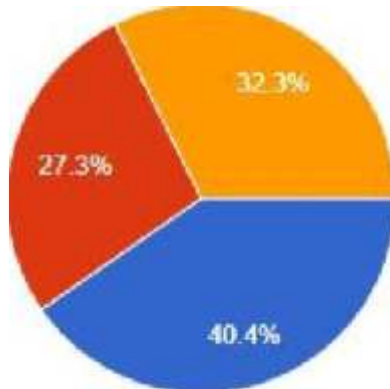
- 1.Strongly Agree
- 2.Slightly Agree
- 3.Neutral
- 4.Slightly Disagree
- 5.Strongly Disagree



10. Do you think that the flow of Chinese goods in local markets will negatively impact local businesses?

1,011 responses

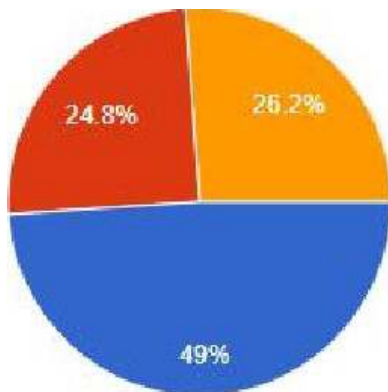
Yes
No
Maybe



11. Do you think that the major proportion of CPEC funding from China is in the form of a loan?

1,011 responses

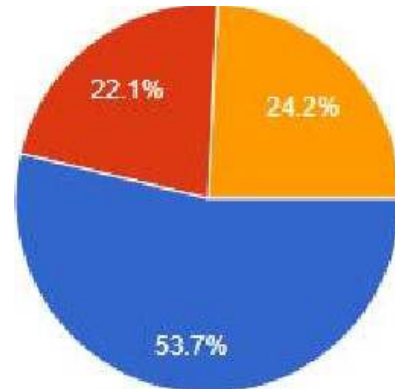
Yes
No
Maybe



12. Do you think that CPEC funding from China is a foreign directed investment?

1,011 responses

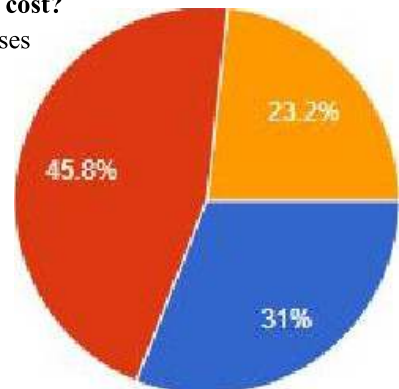
Yes
No
Maybe



13. The National Electric Power Regulatory Authority (NEPRA) has allowed building in tariff the additional security cost leading to a 1% reduction in the capital cost in power tariffs for ensuring the safety of Chinese personnel and CPEC projects. The additional security cost will be borne by the energy consumers paid through their electricity bills. Do you believe it is fair to burden the consumers with this security cost?

1,011 responses

Yes
No
Maybe



14. According to you, which province is going to gain the most from CPEC?

1,011 responses

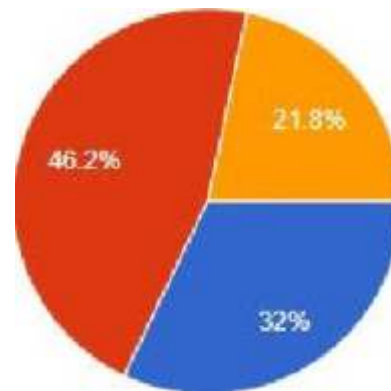
Punjab

Sindh (3.9%)

Baluchistan

Khyber Pakhtunkhwa (6.1%)

Gilgit Baltistan (1.7%)



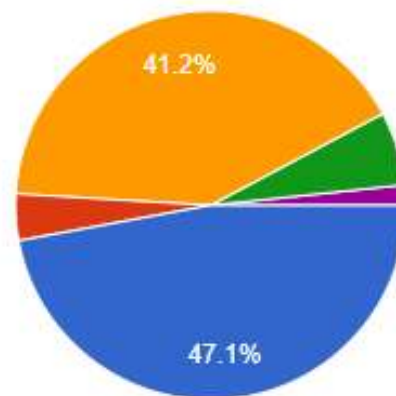
15. Do you believe that the federal government is mindful of equity issues and has ensured that all provinces get a fair share of CPEC projects?

1,011 responses

Yes

No

Maybe





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