**China-Pakistan Economic Corridor**

1297 words

E:\D\Dr. Ishrat\Dropbox\Articles\2015\China Pakistan Economic Corridor.doc

**Ishrat Husain**

China has emerged as an economic power house of the 21st Century and is the largest exporting nation of the World and the second biggest economy. The remarkable achievement of GDP per head growing 17 times between 1980-2014 and lifting more than 800 million out of poverty is a feat unprecedented in human history. It would be pertinent to recall that not very far in time i.e. 1980, per capita income of China was lower than that of both India and Pakistan and since then now it has become an economic powerhouse.

Realizing its importance as a leading economic power, China has also taken the lead in assisting other developing and emerging countries through investment, financial aid, and building infrastructure. In Africa, China has emerged as the number one official donor. President Xi Jingping has embarked upon one Belt One Road initiative that would link China to the rest of the World through new roads, railways, ports, gas pipelines and other infrastructure. This will stretch into South and South East Asia, Middle East and from Central Asia to Europe. More recently, it has established Asian Infrastructure Investment Bank (AIIB) that would cater to the infrastructure needs of developing countries. AIIB would provide concessional loans to developing countries.

It is in this larger context that the China – Pakistan Economic Corridor (CPEC) has to be examined. Any other country would have been simply excited and thrilled at the prospects of an investment of such large magnitude which, if successfully implemented, can completely change the economic landscape of Pakistan. But our national psyche of cynicism, deep suspicion and negativity has started creating doubts and questions about this program.. The success of this program depends very much on the consensus, commitment, continuity and collaboration of the political parties, all the tiers of government, public sector organizations, private sector, military, Civil Society. Let me elaborate this point.

First, the whole investment program would take at least 15 to 20 year for completion and therefore uninterrupted and continuous implementation of the projects is imperative. If it is perceived narrowly as a PML-N sponsored project rather than a national project, it is bound to fail. We have very few points on which there is national consensus and too many points on which there is polarization and divisiveness. Where a national consensus has been reached and sustained such as the acquisition of nuclear capability the results have been astounding. Where partisanship and polarization dominate the narrative such as construction of Kalabagh dam the country has suffered enormously. If the CPEC is carried forward by different political parties at different points of time in an uninterrupted manner the country would earn large dividends in the long term.

Second, the financing for these projects can be divided into two parts. According to the preliminary information about $ 34 billion worth of projects would be foreign direct investment by the Chinese companies. There will be no debt burden on Pakistan. The other $ 12 billion would be concessional government to government loans whose terms are yet to be negotiated. To clear the confusion and make the whole financing package transparent there is a need to disclose the terms and conditions under which each project is to be funded. Equity – Debt ratios and the holdings of sponsors and other shareholders should be known upfront. The speculation that the country would find itself in Debt trap because of these projects would be banished only if all the facts are presented in the public domain. Of course, there would be variations and adjustments as the projects make progress but at least the initial estimates should be known.

Third, the projects proposed under the CPEC fall into two main categories (a) Energy and (b) Motorways & Highways, Railways, Oil Pipelines, Optic fibre backbone etc. Energy projects would add almost 10,000 MW of power easing the lingering problem of electricity outages and load shedding. Thar coal fired project would use the locally mined coal while other projects at Port Qasim, Sahiwal, Qadirabad, Muzaffargarh, Rahim Yar Khan and Gwadar would be based on imported coal. Hydropower projects would be developed at Sukki Karnai and Kavot. Solar and Wind power projects are also included in this portfolio.

The highway and motorway would follow two routes (a) Eastern route that would start from Gwadar and connect to KKH through Gadani, Khuzdar, Ratodero, Sukkur, Multan, Lahore, Islamabad and Havelian (b) Wester route from Gawadar to KKH via Turbat, Panjgur, Kalat, Mastung, Quetta, Qilla SAifullah, Zhob, Dera Ismail Khan, Mianwali, Hasan Abdal, Abbotabad and Gilgit. The total distance from Gwadar to Khunjerab would be 2653km. The existing 1300 km Karakoram Highway would also be upgraded.

 The railway link from Gwadar to Khunjrab will pass through Gwadar-Quetta segment, 560km Bostan-Kotlajam via Zhob &D.I.Khan and 682km between Havelian-Khunjrab. In addition the existing 872km Karachi-Peshawar track would be upgraded. Gwadar district would go through a transformation as the international Airport, Eastbay Express and other local development projects are brought to culmination.

These infrastructure projects when completed would open up the least developed districts of Baluchistan and Khyber Pakhtunkhwa and integrate them into the national economy. The proposed Minerals Processing Zones at Khuzdar, Qilla Saifullah, SAindak, Reko Diq, Kalat, Lasbela and Muslim Bagh will generate Economic activities that were not feasible in absence of infrastructure and connectivity with the rest of the country. Similarly, Industrial processing zones at Quetta, Bostan, Gwadar, Khuzdar, Uthal, Hub, Dera Murad Jamali, D. I. Khan would create employement opportunities in these backward districts of Pakistan. Industrial Parks at Gilgit and Skardu would do the same for Gilgit-Baltistan region. The CPEC would thus be both politically and economically a win-win situation.

 It is gratifying to note that a consensus has now been reached among all political parties at the recent All Parties Conference on the motorway route and priority will be given to the Western route that will connect Gwadar with Khinjer Pass through Kalat, Quetta, Zhob and D. I. Khan. A Working Group consisting of the provincial representatives has also been formed to monitor the progress of CEPC. Had these initiatives and understandings been reached before the agreements were signed we would have avoided the unnecessary political controversy and agitation that was witnessed in the last few weeks.

 Having reached the political consensus the biggest challenge is the implementation of these projects. The Planning Division that has been entrusted with the task of coordination and oversight has to develop a strategic action plan for the short, medium and long term. Each project should be clearly defined in its scope, deliverables, financial allocations along with the source, timelines, milestones and have an agency or agencies assigned the responsibility for execution. The task of the Planning Division would be to monitor the progress, remove the bottlenecks, and coordinate with various tiers of the government or the agencies. Written reports should be followed by site visits. Pakistan has a poor track record in coordinated implementation of the projects because of the silo like divisions and processes, lack of clear responsibility and weak accountability. A different mechanism has to be put in place to make the CPEC a success.

 Strategically, the CPEC would certainly raise some eyebrows among those competing for influence in the region or trying to contain the growing power of China or those keen to see Pakistan on a sliding path of continuous instability. The best response to address these challenges is to implement the National Action Plan (NAP) in true letter and spirit and create conditions that would lead to political stability and economic growth internally. Pakistan has suffered a great deal economically, socially and emotionally. CPEC provides an opportunity to change the course and build a strong, interconnected, integrated nation where all segments of population benefit equally from stability and growth.