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Press Release

National Conference ‘CPEC: Macro and Micro Economic Dividends for Pakistan and the Region’

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‘To tackle our energy crisis, 3/4 of CPEC investment is dedicated to energy provision only. The impact of energy provision is going to be visible in the coming months.’ This was stated by Mr Khurram Dastgir Khan, Minister of Commerce, Government of Pakistan. He was speaking at the concluding session of two-day conference ‘CPEC: Macro and Micro Economic Dividends for Pakistan and the Region’ jointly organized by Islamabad Policy Research Institute and Hanns Seidel Foundation here on Wednesday.

CPEC has cemented the time-tested alliance and friendship of both Pakistan and China and marks a very positive metamorphosis of Pak-China’s 65 year-long relationship. The corridor puts on ground the depth of this ‘iron friendship’, the Minister said, as it has come at the right time. ‘Due to rising violent extremism and resultant low economic growth, Pakistan had been strategically isolated from the world; investors had refused to make investments, however, due to this historic corridor, foreign investment will begin to trickle into Pakistani market once again, as the EH projects near completion’, he said. Discussing the broader impact of CPEC, Mr Dastgir said that tremendous trade will flow into Gwadar after the Port is connected to resource-rich Central Asian States. Thar Coal, which has remained unexploited for decades, will finally be exploited, and will begin to produce energy, which will bring in foreign investors. Sahiwal Project, which is the fastest power plant built in the world, is one example of the successful execution of CPEC. However, the main risk to this corridor is the political stability within Pakistan. Peaceful political dispensation is vital for effective completion of CPEC. All parts of country will reap benefit, he assured. However, a lot of public opinion in Pakistan is anti-infrastructure development, he condemned. ‘It is not a zero sum game. We need to support with all our heart the infrastructural development for, it is the basic foundation for CPEC implementation.’

Delivering his inaugural address, Zhao Lijian, the Charge d' Affairs, Embassy of the People's Republic of China, Islamabad, said that 'CPEC provides an important network and platform of win-win cooperation among countries along the Belt and Road regions. It is the best reflection of the Silk Road Spirit featuring peace, cooperation, openness, inclusiveness, mutual learning and shared prosperity.' He informed that eight energy projects are being built including the Port Qasim Coal-fired Power Project, Sahiwal Coal-fired Power Plant, Dawood Wind Power Project, 720MW Karot Hydro-Power Project, etc. Two mega infrastructure projects are being implemented, namely the KKH up-gradation phase II (Havelian to Thakot Section) and Karachi-Peshawar Motorway (Sukkur to Multan Section). 'With the wide coverage of energy, infrastructure and economic zones, the impact of CPEC on Pakistani economy goes beyond any specific sector and area', he stressed.

Majority of the panellists agreed unanimously that while CPEC will open many doors towards progress and prosperity for Pakistan, the Government needs to remain vigilant about protecting its national interests. In this regard, the federal government should address the grievances and concerns of other provinces like Balochistan on a priority basis, as delay might give room to anti-state elements to exploit the situation to their advantage. Most of the eminent speakers also stressed that Pakistan should be given preferential market status by China; and in order to make CPEC a unifying force and to avoid discontent, disharmony and discomfort, targets and timelines should be spelled out clearly and transparently for smooth implementation of CPEC projects.

In the session on 'CPEC: Micro Level Advantages to Pakistan Economy' chaired by Dr. Eatzaz Ahmed, Professor/Director, International Institute of Islamic Economics (IIIE), International Islamic University Islamabad (IIUI), Dr Kamal Monnoo, Chairman of Sumaira Fabrics and an IPRI BoG member gave his insight on the economic advantages of CPEC to the industrial sector, industrial unit and labourers. He said that in order to develop financial and technological linkages, CPEC is a God-sent opportunity for us.

Discussing the 'Economic Dividends to Agriculture Sector, Farm Owners and Farm Workers', Dr Sultan Ali Adil, Director, Institute of Agricultural and Resource Economics, University of Agriculture, Faisalabad pointed out that albeit agriculture's contribution to Pakistan's exchequer being 19.8%, providing livelihoods to nearly 43.5%

of the population, and bringing in 80% foreign exchange earnings, the sector has been seeing negative growth of nearly 1.9%, with the crops sector declining by 6.25%, cotton ginning by 21.26% and other important crops by 7.18%. China, on the other hand, with only 9% of the global sown area, produces 20% of the world's food, and has high yielding varieties of crops, and highly mechanized agriculture. Under CPEC, the two sides have agreed to start work on Pak-China agricultural demonstration zones paving the way for faster exchange of knowledge and transfer of technology in agro-chemicals; agro-engineering; livestock; bio-technology and the textile industry. He pointed out that for Pakistan, there may now be enhanced opportunities of rural employment; establishment of agricultural sciences parks, value chains, timely availability of inputs, and perhaps even continuous availability of electricity / power to the agriculture sector. However, he cautioned that with 89% of Pakistani farmers having less than 12.5 acres of holdings, there needs to be a major change in mindsets towards cooperatives and corporate farming. 'Conventional crops need to be replaced based on their competitiveness; and there is a need to switch to oilseed crops-soyabean', he said. Government efforts for market reforms need to be enhanced and resources wasted in excessive wheat production curtailed, he recommended.

Looking at the services sector, Dr Saima Shafique, Assistant Professor, National University of Modern Languages (NUML), Islamabad briefly touched upon the economic impacts of highway and energy investments; as well as the various types of services industries and factors linked to its growth. She said that particular attention needs to be given to cities such as Turbat, Khuzdar, Dasht, Bostan, Qila Saif Ullah, Mansehra, Nowshera, Dera Ismael Khan, Karak and Bannu in Balochistan and Khyber Pakhtunkhwa where Special Economic Zones have been proposed. She said it was critical to map the entrepreneurial ecosystem as per the needs of each region (community, resources, labour skills, communication etc.); and create a social insurance environment for businesses and workers. Under CPEC, Pakistan should enact a framework for Urban-Fringe Development; and educate the public about the benefits as well as inherent risks of innovation.

In the session on 'Economic Advantages of the CPEC to the Region', Dr Tughral Yamin, Associate Dean, Centre for International Peace and Stability (CIPS), National University of Science and Technology (NUST), Islamabad highlighted the economic advantages that India will reap by investing in CPEC. 'Given the current tense relationship between India

and Pakistan, it is highly unlikely that India will make a formal bid to join the economic corridor linking China and Pakistan within the framework of the One Belt One Road (OBOR)', he remarked. However, he said that political problems notwithstanding, there are obvious economic advantages that India stands to gain should it become part of this enterprise. The most obvious advantage being upgraded communication infrastructure and easy access to markets in Central Asia and beyond. 'Linking India with the CPEC will require immense political capital and great diplomatic efforts on part of Pakistan and China. India will have to put aside its objections to CPEC; and Pakistan will have to find ways to open up transit trade with India in a manner that its goods can access the CPEC highways without undue hindrance', he stressed. Such a collaboration would lessen tensions in the region and bring more prosperity to its people, he hoped.

Dr Fazal ur Rahman, Senior Research Fellow, IPRI, while presenting a paper on behalf of Dr Pervez Tahir, Former Chief Economist, Planning Commission of Pakistan discussed how investment in energy, road, rail, air and optical fibre links between Kashgar in China and Gwadar is likely to impact Bangladesh, Bhutan, Maldives, Nepal and Sri Lanka in several ways. These countries could experience an expansion of trade with China and Pakistan as the movement of goods will become more economical. With the increase in labour costs in China, incentives to relocate industries to other SAARC countries will grow. Finally, China's quest for energy and strategic minerals will boost foreign direct investment to these countries, he concluded.

According to Mr S. Ghulam Qadir, Associate Professor, Ghulam Ishaq Khan Institute (GIKI), Swabi, KPK, CPEC offers Iran the best option to commercially integrate itself with one of the major trade flows in the region. CPEC will provide Iran the opportunity to broaden its trade and commercial links with China and consolidate it with Pakistan. He was speaking on the subject of 'Economic Advantages of CPEC to Afghanistan and Iran'. CPEC will provide Afghanistan a chance to develop its long term economic growth strategy on the basis of the opportunities presented by the CPEC. CPEC not only provides it access to markets in China but more importantly CPEC provides it merchants and business to integrate themselves into the business being developed by Pakistani and Iranian businessmen and entrepreneurs. Afghanistan will be well served if it encourages its businesses to become part of the business ecosystem that evolves or develops around the CPEC.

Giving his vote of thanks, Ambassador Sohail Amin, President IPRI, said that CPEC is the fruit of decades of successful diplomacy and leadership of both Pakistan and China. He thanked the chairs and speakers for their valuable contributions; and the participants who attended and enriched the conference with their active involvement through questions and comments.