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PRESS RELEASE

Pakistan's economy is expected to achieve 4.7% GDP growth in 2016. This was stated by former Ambassador Sohail Amin, President IPRI. He said that the CPEC infrastructure projects, including the Processing and Industrial Production Zones along the Corridor route once completed would open up and connect the least developed districts of Balochistan, Khyber Pakhtunkhwa, and Gilgit-Baltistan, with the mainstream national and even regional economies. He was addressing the two-day national conference on 'CPEC: Macro and Micro Economic Dividends for Pakistan and the Region' jointly organised by the Islamabad Policy Research Institute and Hanns Seidel Foundation in Islamabad today.

In his inaugural remarks Chief Guest, Dr Mujahid Kamran, Vice Chancellor, Punjab University, Lahore, said that Pakistan's strategic location and its great mineral resources give it an edge in the region. However, he warned that while CPEC is an opportunity, it is also a challenge for Pakistan since it requires economic and governance reforms, along with massive investment in trained and educated manpower. With the number of PhDs on the rise, the latter situation has seen much improvement, but the government needs to allocate more funds towards Research and Development (R&D). CPEC has given much needed hope of development to the people of Balochistan, which must be consolidated, he urged. On the current security situation in various parts of the world, Dr Kamran remarked that terrorism had become a device to instigate both fear and anger, especially towards Muslims, who are now going through systemic genocide. He was of the view that young activists everywhere were changing socio-political dynamics, forcing people to look beyond the war-mongering rhetoric of official media to alternate media sources as well.

Providing a detailed overview of the objectives and guiding principles of CPEC; its institutional arrangements; and the principles and details of Early Harvest Projects, Mr Asad Ali Shah, Assistant Chief, Ministry of Planning, Development & Reform, informed that the Corridor was not restricted to a single alignment, rather all provincial capitals are included as nodes, with joint feasibility surveys carried out. He said that selection of commercial companies was being done through a fair and impartial bidding process. 'CPEC is a game changer because its main focus for Pakistan is not only on interconnectivity, but also on clean energy given the development of hydro, wind and solar power projects in order to increase the proportion of non-fossil energy consumption.' Through CPEC, Pakistan can now focus on exploring and utilizing its domestic coal resources to improve self-sufficiency under projects such as the Thar Power Coal Plant; Thar Power Sino Sindh Resources Coal Plant and the HUBCO Coal Power Plant, amongst others, with estimated coal generation of 4290 MW by 2017/2018, he said.

Mr Khalid Rahman, Director General, Institute of Policy Studies (IPS), Islamabad, analysed CPEC's economic benefits to China from three different yet entwined contexts: bilateral; in the context of OBOR; and in the larger context of changing Chinese role in the world. He shared that in the bilateral context, nuclear and defence cooperation have remained a significant element in Sino-Pak relations; and CPEC has provided an additional impetus to such cooperation e.g. in the deal of eight submarines worth US$6 billion. He pointed out that while essentially a bilateral arrangement, CPEC serves as the backbone for the One Belt One Road, making the two-way connectivity between Middle East, Gulf and Africa and South and Central Asia, easier, cost-effective and efficient. Without this important link the two projects would, in fact, lose much of their significance. He warned, however, that improving regulations for financial integration and cooperation; building currency stability and credit information system, redefining and expanding the scope and scale of bilateral currency swap arrangements, while ensuring transparency and checking corruption are essential parts of negotiations which need to be addressed in such mega projects.

Dr Ather Maqsood Ahmed, HoD Economics Department, National University of Science and Technology (NUST), Islamabad, reviewing the economic dividends of CPEC for Pakistan outlined its importance for the agriculture, industrial and services sector. He highlighted that while agricultural development of China and Pakistan will take place on the principle of comparative advantage and mutual benefit, achieving the objectives of the 17 agriculture-centric projects was dependent on how quickly counterpart experts in specific areas were assigned; public-private partnership developed; and federal and provincial governments aligned. 'The demonstration projects alone, unless replicated, are not expected to raise agricultural growth in any substantial way', he argued. On the industrial front, with US$ 45 billion likely to be spent on cement, this industry and marble and granite industries are likely to accrue huge profits, he said. CPEC road projects may result in additional demand for 800 thousand automobiles over the next 15 years, with demand for petroleum products also expected to increase substantially. On the services side, CPEC spread over 15-years can result in direct additional 2-3% per year loan growth of the banking system. He said that not only would all major national banks benefit from CPEC, with US$ 30 billion projects being insured locally and internationally, local insurance companies would benefit with additional insurance premium of Rs 2 billion annually. While warily optimistic about Pakistan's current economic growth, he cautioned that there is room for improvement since growth in tax collection and the tax/GDP ratio remains low; the Public Sector Enterprises (PSEs) are continuously bleeding; and power theft and huge distribution and transmission losses have not been arrested. 'How Pakistan benefits from CPEC will depend on its adopted economic policies, and reforms to remove structural weaknesses', he concluded.

Ambassador Inamul Haq, Former Foreign Minister, as chair summed up the cumulative advantages of CPEC to China and Pakistan.

Chairing the session, Dr Ashfaque Hassan Khan, Principal and Dean School of Economics, NUST, Islamabad, said that CPEC may change the face of Pakistan's economy, if all goes well. Today, half a million tonnes cargo is being handled via Gwadar. Next year, it is expected to reach a million. However, when the Port becomes fully functional, it will have the capacity to handle 300 to 400 million tonnes of cargo.

Former Minister of Finance, and current Chairman, Pakistan-China Centre for Economic Cooperation, Lahore, Dr Salman Shah outlined how CPEC and economic integration with China will produce a two-tier private sector in Pakistan. On one side, the great companies oriented to the export market, with access to Chinese financing and partnerships, will greatly benefit. However, when economic power will be concentrated in the efficient producers that can count on foreign financing, most small and medium size businesses that have to confront high financial costs in order to improve their technological capacity will be left behind, he warned. Thus, the labor-intensive sectors of the national economy will need special support from the Government to link with global value chains. Dr Shah predicted that most industrial companies from Pakistan that will benefit from the FTA with China will be those that develop networks to distribute their products or establish long-term agreements with Chinese producers and/or distributors.

Chinese textile shifting to Pakistan will not only enable China to continue its dominance of the world's textile business, it will improve Pakistani plants to come up to the former's productivity levels. He was hopeful that CPEC along with an effective FTA can make Pakistan one of the most attractive investment and manufacturing sites in the world. Hundreds of American, Canadian, European, and Asian companies may relocate facilities for manufacturing goods, he predicted. The former Minister recommended creating cross-cutting think tanks to collaborate on R & D; and formulating a comprehensive national strategy based on Pakistan's role in CPEC and strategic proximity to China. 'Such a strategy is imperative and should include actors from the government, defense and private sector, and should also cover territorial jurisdiction issues', he said.

Prof. Dr Syed Irfan Hyder, Dean CBM and CES, Institute of Business Management (IBM), Karachi analysed how CPEC can enable foreign and domestic investment in business ventures in qualitative terms. He lamented lack of specific information for making investment decisions. He was of the view that the environmental costs of CPEC should be calculated, while also keeping in mind that Balochistan is already a troubled area, he stressed.

Discussing the implications of CPEC for domestic and regional trade, Dr Jahangir Khan, Associate Professor, Department of Economics, University of Balochistan, Quetta pointed out that intra-regional trade among the members of SAARC and ECO countries is around 5% of their total trade which does not match the inherent trade potential. China Pakistan Economic Corridor can potentially change this dismal statistic and enhance regional economic integration.