



13th Executive Program

Strategic Dimensions of China-Pakistan Economic Corridor (CPEC)

15-19 August, 2016

COURSE REPORT



National School of Public Policy

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Course Report

13th Executive Program

**“STRATEGIC DIMENSIONS OF
CHINA-PAKISTAN ECONOMIC CORRIDOR (CPEC)”**

August 15–19, 2016



Executive Development Institute

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RECTOR'S MESSAGE



Welcome to the Executive Development Institute which is an integral unit of the National School of Public Policy. The School is a premier institution for the study of public policy, management training and research. One of the key objectives is to improve the quality of pre and in-service training and education of all those engaged in public service. With its headquarter in Lahore, campuses of NSPP are located in Karachi, Peshawar, Quetta, Lahore and Islamabad, providing a four-tier training and education to BS-17 to BS-20 civil servants from tactical to strategic level. The Executive Development Institute, however, offers short courses to BS-21 and corporate Executives working in the private sector.

Building on rich history of providing training in Pakistan, NSPP, since its inception in 2002, has made strategic investment to improve the quality and value of the training courses, through curricula changes, co-curricular events, participants' extensive interactive involvement and a focus on excellence across every aspect of its programs.

Guided by the Board of Governors, headed by the President of Pakistan, the School envisages to set up courses for MS, M.Phil and Ph.D degrees in Public Policy and Management Sciences. The School endeavors to develop a Centre of Excellence for Research. The areas of training, research and consultancy will be combined and would complement each other. We are determined to ensure the highest standards and quality of all training, education and research programs that the School will provide. We aim to place emphasis on performance in the public management as we believe public service must create and deliver public value and win public trust.

We aim to turn the NSPP into a Center of Excellence in public management with an emphasis on performance and the delivery of services to the people of Pakistan. In an increasingly globalized world, we continue to remain engaged with global developments through our own various international partnerships.

The national policy planning is a demanding task which cannot be accomplished without understanding the national purpose, aims, objectives and more importantly the national interest. The challenges and opportunities being offered by the international and domestic environment



would be critically examined to work out analytical response and implementable recommendations.

Executive Development Institute (EDI) of the NSPP is engaged in capacity building and training of public leaders and senior executives of the private and public sector to help meet challenging public policy issues of the country. Executive Development Programs at EDI envision encompassing major areas of Public Policy. It seeks to meet the learning needs of

senior leaders of public and private sector engaged in legislature, law, business, executive, industry, journalism and academia through dynamic lectures from high quality speakers and the faculty, case studies, and small group interactions, to enhance their contribution to the national debate and real understanding



of the current issues. It has been the experience of EDI that the best learning environment for executives emerges when participants come together from diverse venues but with broadly comparable positions. Participants are urged to share their insights and to test them against the experience and views of their peers. This practice helps to transform participants into reflective practitioners who recognize their own strengths and limitations and are more aware of the perspectives of others.

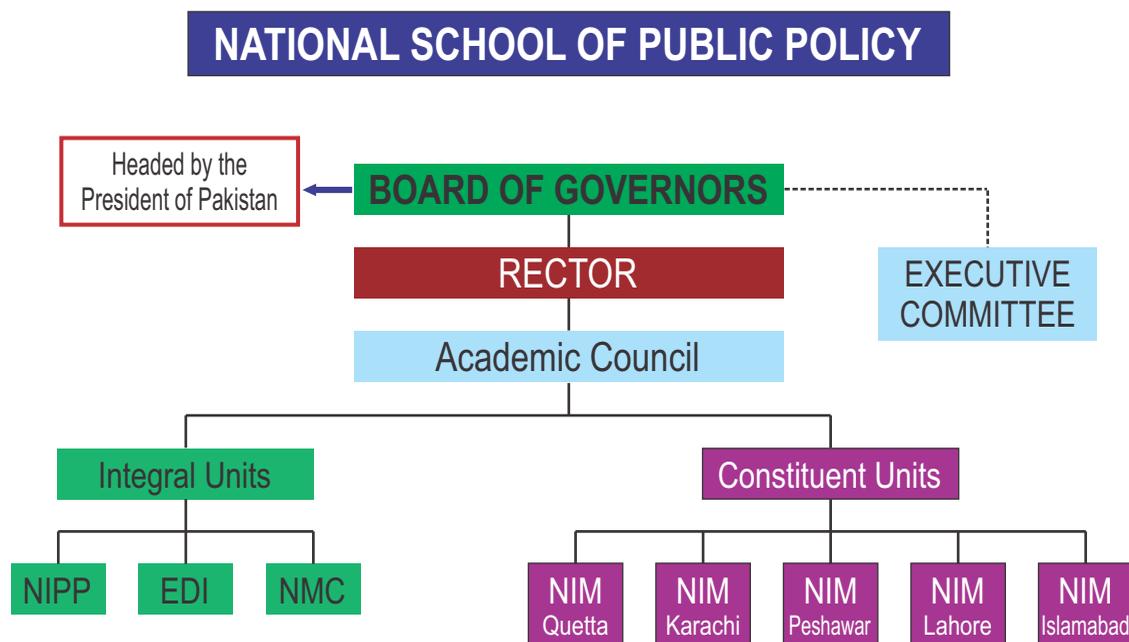
Programs at Executive Development Institute aim at enhancing understanding of the senior executives of the public and private sector in the realm of policymaking and its implementation. It is to optimize their effectiveness as leaders and to prepare them for their future responsibilities and new management roles. The Executive Leadership Programs sensitize them to manage changes at the policy level in the renewed organizational restructuring.

BRIEF INTRODUCTION

NATIONAL SCHOOL OF PUBLIC POLICY

National School of Public Policy is a prestigious institution for training of civil servants in Pakistan. It aims at building their capacity for undertaking tasks of policy formulation and implementation at tactical, operational, and strategic levels. This is achieved in an environment of intellectual freedom so as to generate in them an investigative urge, spirit of rational enquiry and a genuine desire to seek knowledge. The overarching aim of the NSPP is to improve the quality and effectiveness of public policies and management in Pakistan, by improving the quality of pre-service and in-service training and education of all those engaged in public service.

The School has following three Integral and five Constituent Units:



Integral Units of NSPP

1. National Management College (NMC)
 - i. National Management Wing (NMW)
 - ii. Senior Management Wing (SMW)
2. National Institute of Public Policy (NIPP)
3. Executive Development Institute (EDI)



Constituent Units of NSPP

1. National Institute of Management (Lahore)
2. National Institute of Management (Karachi)
3. National Institute of Management (Peshawar)
4. National Institute of Management (Quetta)
5. National Institute of Management (Islamabad)

Foreign Collaboration

NSPP is working in foreign collaborations with Harvard Kennedy School, Evidence for Policy Design (EPoD), Building Capacity to Use Research Evidence (BCURE), and Ecole Nationale D' Administration (ENA), Paris.

Future Vision

- Establishment of IT Centre
- Online Training
- Research, Consultancy and Advisory Roles
- Technology for Governance
- Data Hub – Participants and Researchers
- Public Sector Think Tank

COURSE INTRODUCTION

**BY DEAN EDI
DR. SARFRAZ KHAWAJA**

It is a privilege to warmly welcome you all to this Executive Program on Strategic Dimensions of China Pakistan Economic Corridor popularly known as CPEC. This is the 13th course organized by the Executive Development Institute which is an integral part of the National School of Public Policy. EDI provides an opportunity of participation to executives from government and corporate sector and to broaden up the spectrum of information. This forum brings key stakeholders on board to critically examine the situation and analyze the key issues based on evidence.



The CPEC has been making efforts to strengthen trade and commerce connectivity with different regions of the world. But some reservations and threats are attached to it. This five days course would address the existential threats to CPEC in four broad areas:

1. Political Constancy
 - i. Fidelity of all the stakeholders
 - ii. Loyalty to the cause by political parties
2. Economic Cooperation
 - i. Substantial increase in economic growth rate
 - ii. Public and private sector to go hand in hand
3. Share Internal Security Concern
 - i. Control the environment of insecurity, militancy and violence
 - ii. Mitigation strategies to prevent threats to the construction of corridor
4. Converging Geostrategic Interests
 - i. Convergence on Gwadar as a port city
 - ii. Linkages with the world
5. Impact of Yellow Race in South Asia
 - i. Performance of Chinese in the development of East Asia
 - ii. Entrepreneurs skills of the Chinese

The positive aspect is that consensus exists among Pakistan's political parties in maintaining friendly relations with China. All the stakeholders agreed that in principle there should be no major political obstruction in the way of implementing CPEC.

Economic growth through CPEC will achieve big milestones as the project has allocated US dollar



46 billion for investment. The focus is on enhancing private investment due to positive environment, economic opportunities, improved infrastructure, stable economy and generation of much needed energy. It is expected that growth rate during that period would be beyond 6 percent per year.

Alongside the benefits of CPEC, Pakistan faces varied challenges to its security and stability, this prevailing environment of insecurity, militancy and violence can pose serious threats to the Corridor. There are security related threats linked to the CPEC from the Xinjiang province in western China from Uighur militants and the East Turkestan Islamic Movement (ETIM). Another source of threat to security could be Baloch rebellious groups who are against mega development projects in Balochistan, including Gwadar Port currently being developed by Chinese companies.

Course Objectives

1. How CPEC would have a strong economic impact on the GDP growth of Pakistan?
2. What could be the potential threats and constraints in the networking of road and railway links as planned?
3. Does Pakistan has the capacity, in terms of technology, infrastructure and technical human resources to overcome major constraints?
4. Do the geo-strategic compulsions provide more opportunities than threats and how far Pakistan would only shift from one dependency (USA) to another (Chinese)?

Course Methodology

1. First, the major components of methodology would be the presentation of four papers on the key areas of CPEC.
2. Second, a case method would be used in which the participants raise questions about the issues and apprehension mentioned in the implementation of CPEC. This would be done in plenary session.
3. Third, group work in the form of task allocation would be used in the context of economic impact and geo-strategic compulsion.
4. Fourth, the overall findings of the workshop regarding the key areas in the CPEC to be followed by recommendations would be prepared.



STRATEGIC DIMENSIONS OF CHINA–PAKISTAN ECONOMIC CORRIDOR (CPEC)

Rationale

Unceasing growth and development in China during the last four decades has assigned the country a special status in the world economy. During this period when the world was engaged in war on terror and was hit by financial crises, China augmented its trade and international recognition, revisited its old relations, and ventured in new partnerships and friendships. President Xi Jinping for the first time raised the slogan of affirmative engagements across the world. China is aggressively pursuing this idea through the Silk Route, which comprises roads, rail networks and maritime routes. It is also known as “One Belt One Road”. China is promoting Silk Route as a trade and financial initiative. The CPEC is an effort to strengthen trade and commerce connectivity with different regions of the world. China emphasized revitalizing the ancient trade routes connecting China, Central Asia and Europe by developing three main corridors through southern, central and northern Xinjiang, which connect China with Russia, Europe and Pakistan.¹

It is expected that Pakistan could emerge as a hub of commerce and trade in the region with the construction of CPEC that would entail establishing several economic and industrial zones and physical road and railway links connecting Pakistan and China. Gwadar holds central place in the utility of the CPEC because without making the Gwadar Port fully functional, it would be difficult for China to see the anticipated corridor as an energy corridor that appears as one of its main objectives behind the construction of CPEC. Located near the Strait of Hormuz, which channels about one third of the world's oil trade, Gwadar could play a key role in ensuring China's energy security as it provides a much shorter route than the current 12,900 km route from the Persian Gulf through the Strait of Malacca to China's eastern seaboard.²

The relationship between China and Pakistan is based on four common interests that include ‘Political Constancy, Economic Cooperation, Shared Internal Security Concerns, and largely Converging Geostrategic Interests’.³

¹ Cui. 2014. “China studying new Silk Road rail link to Pakistan.” *China Daily*, June 28th. <http://usa.chinadaily.com.cn/business/2014-06/28/content_17621848.htm>

² Chowdhury, D. Roy. 2013. “Pakistan happy to aid in China's quest for land route to the west; India, not so much.” *South China Morning Post*, November 19th. <<http://www.scmp.com/business/commodities/article/1359761/pakistan-happy-aid-chinas-quest-land-route-west-india-not-so>>

³ SafdarSial, “The China-Pakistan Economic Corridor: An Assessment of Potential Threats and Constraints,” in *Conflict and Peace Studies*, Vol.6, No.2 (December 2014), p. 24.

- 1.1** With regard to the first variable, a positive aspect is that there is almost consensus among Pakistan's political parties on maintaining friendly relations with China. All the stakeholders agreed that in principle there should be no major political obstruction in the way of the construction of CPEC. With an exception of minor segments among nationalist parties in Balochistan, Pakistan's regional parties look towards China in a positive manner to conserve bilateral ties. Apart from that, long term political constancy will be required in Pakistan to smoothly implement projects such as the CPEC. The corridor would strengthen trade and economic cooperation between the two countries. The Corridor, after construction, would also serve as a primary gateway for trade between China and the Middle East and Africa. In the past, Pakistan has faced many phases of political instability and turmoil that weakened the country's development roadmap and also affected policy consistency. It was a very promising development for the country's political stability that a democratically elected government completed its five years term and a peaceful transition of power happened after the 2013 elections. But the current government now faces some major political and economic challenges. While the major political stakeholder, Pakistan Tehreek-e-Insaf, having representation in the National Assembly and also heads the coalition government in Khyber Pakhtunkhwa (KPK) is trying to destabilize the federal government. The ongoing political instability has already caused losses to the economy besides distracting the political leadership from other matters of vital importance linked to governance, terrorism, policymaking and implementation of policies.
- 1.2** As far as the second variable is concerned, economic growth and development are linked to political stability to a great extent. At present, Pakistan's economic outlook, although not extra-ordinary, seems positive and improving. On August 18, 2014, the IMF raised its growth forecast for Pakistan to 4.3 percent for the 2015-16 fiscal years, up from 4 percent. In the absence of certain major political crisis and policy breakdowns, it would be safe to say that the country's economy is right on the track and will improve progressively. Put it another way, Pakistan can provide the required funds and facilities for the CPEC project over a longer period of time, if there is no major political conflict and no economic meltdown. The government has already allocated over Rs. 73 billion as the budget for the Public Sector Development Program (PSDP) to execute development projects under the CPEC during the current fiscal year. Most of it will be spent on the construction of Karachi-Lahore Motorway and connecting roads and for land acquisition and relocation of utilities. But in the case of a prolonged political crisis and economic meltdown such yearly

and periodic allocations for the project could be disturbed causing delays to the project outcomes beyond the set targets.

The CPEC project has allocated US dollar 46 billion for investment. The loans for the project are expected to come mainly from Chinese banks and corporations. Secondly, the corridor will be largely built on Build-Operate-Transfer (BOT) basis. It has been estimated that for one unit incremental growth in GDP, there is need for 3.6 units of incremental investment. The CPEC will increase GDP growth rate at 1.5 percent in next three years. Moreover, it will also enhance the private investment due to positive environment, economic opportunities, improved infrastructure, stable economy and generation of much needed energy. Private investment will add 0.5 percent to the GDP of country. Cumulative impact of investment would be 2 percent during 2016-2018. It is expected that growth rate during that period would be beyond 6 percent per year.

1.3 Pakistan faces varied challenges to its security and stability, for instance, Taliban militancy in KPK and the tribal areas, a nationalist insurgency in Balochistan, political violence in Karachi, growing religious extremism and radicalism, and the deteriorating law and order amid acts of terrorism and violence being reported from across the country almost on daily basis. This prevailing environment of insecurity, militancy and violence can pose serious threats to the construction of CPEC. As the level and nature of this threat is not uniform, it is a positive aspect that the finalized eastern alignment of the corridor runs through parts of the country which are relatively more secure with few exceptions. There are security related threats linked to the CPEC from the Xinjiang province in western China from Uighur militants and the East Turkestan Islamic Movement (ETIM). Uighur and ETIM militants have long sought shelter in Pakistan's tribal areas along with the local militants. Conversely, Pakistan's security forces have fought foreign militants in North Waziristan Agency including ETIM and Uighurs in recent months with the commencement of the military operation Zarb-e-Azb which has also destabilized the operational capacity of ETIM.

Moreover, militant groups in Pakistan are relatively less hostile to China when compared to America and its western allies, but at the same time, they have targeted Chinese citizens, workers and engineers in past. The Uighur militants' links with the Taliban in Federally Administered Tribal Areas (FATA) pose a major threat to Chinese interests in Pakistan. An Uzbek speaking militant leader Mufti Abu Zar al-Burmi recently released a video message directing all Taliban groups to carry out attacks on Chinese embassies, companies and kidnap or kill Chinese nationals.

Another source of threat to security could be Baloch rebellious groups who are against mega development projects in Balochistan, including Gwadar Port currently being developed by Chinese companies. The militant criminal nexus in certain areas also poses a threat to Chinese engineers, workers and citizens in the form of kidnapping and robberies. In the past, there have been many incidents of kidnapping and killing of Chinese citizens working and living in Pakistan.

- 1.4** The CPEC is a huge project that will embark on the construction of highway and railway links running through most of Pakistan starting from Gwadar in Balochistan and culminating in Kashgar in western China, while passing through parts of Balochistan, Sindh, Punjab, Khyber Pakhtunkhwa (KPK) provinces and Gilgit Baltistan in northern Pakistan to reach the Khunjerab Pass and beyond to China.

The eastern alignment of the corridor instigates from Gwadar, travels parallel to the Makran Coastal Highway eastwards (towards Karachi), and then after passing through parts of interior Sindh and southern, central and northern regions of Punjab, it reaches Islamabad. From Islamabad, it extends to Haripur, Abbottabad, and Mansehra districts of the relatively peaceful Hazara Division in KPK. This part of the corridor will also run through Muzaffarabad, the capital of Azad Jammu and Kashmir and reaches Khunjrab after passing through Diamer and Gilgit areas in northern Pakistan. The corridor will also run through the Pamir Plateau and Karakoram Mountains. A link from Taxila through Peshawar and Torkhum will connect the eastern alignment of the corridor to Jalalabad in Afghanistan. Regional connectivity with India through the eastern alignment is designed to be provided through the Hyderabad, Mirpurkhas, Khokhrapar, Zero Point link and the Wagha border, Lahore.

According to the western alignment plan, the economic corridor (highway and railway) starts from Gwadar and runs through some southern and eastern districts of Balochistan (Khuzdar and Dera Bugti, respectively), and some districts in South Punjab to reach D.I. Khan in KPK. From D.I. Khan, it further extends to Islamabad and Abbottabad and from there onwards, the route is the same as in the eastern alignment. The western alignment will have an additional regional connectivity link to Afghanistan through Chaman and will connect to Iran through Quetta Kho-e-Taftan link.

Karachi-Lahore Motorway will run from Karachi to Lahore through traversing interior Sindh (mainly Hyderabad, Dadu and Sukkur), and parts of South Punjab, including Rahim Yar Khan and Multan.

COURSE SESSION - 1

Topic:	CPEC: Challenges & Opportunities
Resource Person:	Mr. Zafar Mahmood
Date:	15 August, 2016
Day-Session:	1-1

Format and Methodology

The session started with the discussion of historical perspective of CPEC and then the potential prospects and related threats were also discussed. Economic aspects of creating jobs, increase in GDP and investment opportunities were also discussed in the context of CPEC.

Objectives

Examining the prospects of socio-economic opportunities along with the threats of internal and external security issues.



Backdrop of the Discussion

Examining the geo-strategic compulsions of Pakistan, how can it be used as an opportunity instead of threats? That how strategic *compulsions* can be prudently handled so that Pakistan can ensure strategic stability in its neighborhood and neutralize threats to its internal and external security.

There is a lot of confusion about understanding of CPEC. Everybody has a different interpretation. It can also be called China-Pakistan economic integration. Out of the USD 46 billion, USD 34 billion is allocated to energy sector. USD 3.69 billion for railways and USD 7.93 billion for Gwadar. It will boost Pakistan's economic condition. To Pakistan it comprises of loan which has certain payback period.

Gwadar is a deep port and so big ships can dock on the port. It is of much use, but it has had a problem of connectivity with the rest of Pakistan. Its development, along with CPEC, was under discussion since a long time but could not move beyond the initial stages, China develops the Gwadar Port even back in 2000, the cost on national exchequer was due to unloading shipment at Karachi. Gwadar Port was planned to send shipments directly to Lahore, Multan and Peshawar. The Gwadar Port was the result of that situation.

For China this port will bring a huge economic inflow. The investment in road infrastructure under CPEC relates to the connectivity of Gwadar to main land China. China's preference is to take the shortest route to Gwadar due to economic reasons unless their government wishes otherwise. For Pakistan this will boost its economic conditions.

Other than the road network, which is a small portion of CPEC, energy sector is a huge part of this



corridor. The Public Private Infrastructure Board (PPIB) created in 1995 operated differently few years later in 1999. During this time the projects were given to the private sector. However it was extremely difficult for the private sector to have a feasibility study of power/energy projects.

Hydel project which had problems being implemented were taken over by CPEC. In this National Electric Power Regulatory Authority (NEPRA) would give tariff. Some of these projects are:

1. Suki Kinari Hydel Project in KPK – 840MW – \$1.8 billion from CPEC
2. Karot Hydel Project in AJK/Punjab – 720MW – \$1.4 billion from CPEC
3. Kohala Hydel Project in AJK – 1100MW – \$2.4 billion from CPEC

For the CPEC project China would have 80-90% ownership. The loan would be available on commercial terms which are much higher than soft loans but lower than open commercial Banks. Although the loans are quite high but would not have been available from any other sources for the projects. The transmission lines are all owned by the government for now. After the projects the Chinese will work on the transmission lines and the government of Pakistan will pay tariff on transmission of electricity. Electricity provision to each user and limit line losses is a different case than generation of electricity.

Another domain discussed was railway upgradation and transportation. Bulk of the revenue generated for railways is through goods transportation. If railway covers this aspect than it would be revived.



Relationship with China: strategic interest get aligned; China defeated India; it became popular in Pakistan at mass level. Chinese interest in CPEC: they have huge foreign exchange reserves and been asked to look for investment abroad. So the companies are competing in the world. Pakistan has been asking around the world to invest in energy. China was asked in specific areas to invest. The government has persuaded Chinese. They want to invest globally in potential areas and they have a positive relationship with Pakistan at popular level. \$576 million loan is being taken upon axiom bank on commercial terms.

The loans from Chinese are not the lowest and not the highest. NEPRA would build the contract (upfront) so that the companies could pay. The issue is of foreign exchange. Chinese do bring their own manpower and companies are evaluated technically. For Dasu only one Chinese company was left.

- i. Structure of CPEC? Who is managing it?
- ii. CPEC market to other for more investments.
- iii. Manpower training for CPEC.
- iv. Communication of Facebook pages.
- v. It's not a project but loosely defused arrangement in a level it will find some project. You may be able to execute the energy project and may not be able to the nitty gritty needs to be focused. There are high level meetings taking place in government.

Challenges

1. The problems of implementation of CPEC are bureaucratic hurdles.
2. Security threats are constraints because they increase risks, cost and time. The Chinese are under threats but the army and other security agencies are cooperating in providing security. The Chinese have suffered but they are soldiering on.
3. There are no technological shortages but national projects suffer because of political or bureaucratic hurdles.
4. There is lack of good negotiators and transparency.
5. Some unimportant/irrelevant issues are hyped by media which creates folklore of corruption. This creates mistrust and pushes away investors.
6. There is a dearth of strategic planning in Pakistan. Investors could have been sought for projects when there were lots of them around. However, Pakistan did not take advantage of the situation because it did not have a strategic plan for it.

7. Return on project loans is an issue. The projects invested in and running must return on profit in order to return foreign investment.
8. Our social makeup and attitudes is not conducive to economic development.

Recommendations

1. There should be conceptual clarity which is based upon good negotiators and transparency. Hence Pakistan needs good negotiators and transparency.
 2. Industrial parks should be available for the industries where resources are available such as training institutes, requisite manpower, information centres, raw materials, financial arrangements, etc.
 3. There is a fast track training need for project management under CPEC.
 4. Chinese investment avenues should be created.
 5. The biggest assets of Pakistan in relation to the economy are entrepreneurs and needs to be developed and nurtured.
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COURSE SESSION - 2

Topic:	Geostrategic Compulsions Provide More Opportunities than Threats
Resource Person:	Prof. Dr. Moonis Ahmar
Date:	16 August, 2016
Day-Session:	2-1

Format and Methodology

The session started with the objective of drawing strategic policy to yield maximum benefits from the geostrategic location of Pakistan which provides opportunities as well as a number of threats are also attached to it.



Objectives

Examining the geostrategic compulsions of Pakistan, how can it be used as an opportunity instead of threats? That how strategic compulsions can be prudently handled so that Pakistan can ensure strategic stability in its neighborhood and neutralize threats to its internal and external security.

Backdrop of the Topic

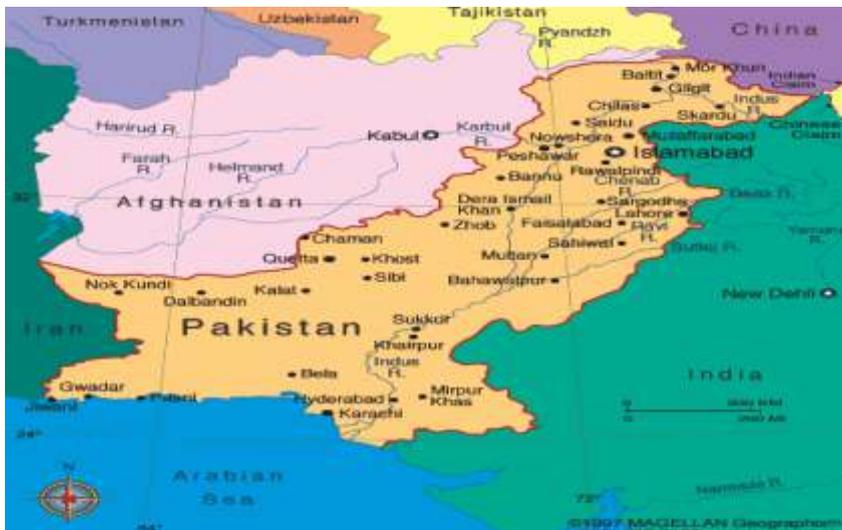
Pakistan's geopolitical and geostrategic location provides opportunities and poses challenges in its foreign and domestic policy. Since its inception as a new state on August 14, 1947 till today, Pakistan is grappling with numerous challenges which emanate from the region. Located at the crossroads of three Asias, i.e. Central, South and West Asia and in the proximity of Persian Gulf, Pakistan's predicament at the strategic, security, economic and political level is primarily an outcome of its failure to formulate a policy which can yield maximum benefits from its geostrategic location.

The following questions were covered during the session

- What is meant by geostrategic compulsions?
- How geostrategic compulsions can provide more opportunities than threats?
- What are the prevailing geostrategic compulsions for Pakistan and what is the historical basis of the country's strategic position?

- How Pakistan can ensure its security by focusing on human development instead of grappling with threats emanating from its borders?
- Why China-Pakistan Economic Corridor is called as a “game changer” and how it will have its implications on the geostrategic setting of the region?

Furthermore, future geostrategic landscape of Pakistan with a focus on issues which are domestic in nature and cause serious threats to its security will also be included. How Pakistan can overcome its isolation in the region and pursue an innovative approach to maximize its gains from its age-old strategic position rather than becoming a victim of its geography? Factors which can transform Pakistan from an insecure and under-developed to a stable and powerful state will also be examined with the plausible solutions.



What is Geostrategic Compulsions?

Geostrategic is a term which means a territory whose geographical location enhances strategic importance. In most cases, geostrategic location of a country is by default but it is up to the leadership of that country not to

transform it as a liability but an asset. Geostrategic compulsion means a situation whereby the concerned territory or a state comes under pressure when it is surrounded by powerful states having aggressive designs or has neighbors with unpleasant relations. Since a state cannot change its geography and has to live with its neighbors, geostrategic compulsions can be transformed as an opportunity instead of threats.

Following are the examples of states having geostrategic compulsions in Asia:

- | | |
|-------------|---------------|
| ■ China | ■ Vietnam |
| ■ Singapore | ■ Nepal |
| ■ Pakistan | ■ Afghanistan |
| ■ Kuwait | ■ Israel |

The states mentioned above can be divided into two: China, Vietnam, Singapore, Kuwait and Israel have transformed their geostrategic compulsions into an opportunity whereas; Nepal,

Pakistan, and Afghanistan are coping with issues which emanate from threats arising out of their geostrategic location.

Historical Overview of Geostrategic Compulsions

Since its inception as a new state on August 14, 1947 till today, Pakistan's predicament is how to deal with its geopolitical and geostrategic compulsions. After the secession of East Pakistan in



1971, Pakistan emerged as a compact state with a geopolitical setting in South, West, and Central Asia with strong connections with the Persian Gulf and the Middle East. Four major compulsions of Pakistan in post-1971 era which shaped and influenced its foreign and domestic policies are:

1. India as Pakistan's only eastern neighbor but having a history of conflicts and wars.
2. Afghanistan as a land locked state is Pakistan's western neighbor bordering Central Asian states but possessing unpleasant relations with its eastern neighbor since the creation of Pakistan.
3. Pakistan and Iran are neighbors and had cordial relations during the monarchial regime of Shah as the two were in the US sponsored strategic alliance Central Treaty Organization. But since the Islamic revolution of Iran in February, 1979 there have been ups and downs in relations between the two countries.
4. Pakistan shares a small border with the People's Republic of China and despite ideological variation, China and Pakistan have more than five decades of meaningful strategic and security relationship.
5. Pakistan's proximity with the oil rich Persian Gulf is another source of its strategic importance. Gwadar's transformation as a port connecting China with the Arabian Sea for trade purposes has added to the strategic significance of that part of Pakistan thus adding compulsions to Pakistan. The phenomenon of 'great game' in Balochistan involving external players namely, India, Iran, the United States and Russia is two-fold: first, rich mineral resources in the

province of Balochistan and second armed conflict in the province involving security forces and Baloch nationalist groups.



Strategic interests of the United States, Russia, China, India, Iran and the Arab Gulf States in Pakistan cannot be undermined. As the only country in the Muslim world possessing nuclear weapons and having world's fifth largest

military, Pakistan's compulsion cannot be relegated and needs to be examined in some detail.

What to do?

Transforming Threats into Opportunities

How Pakistan can transform geostrategic compulsions into opportunities and what are the obstacles in this regard?

Following strategies must become part of state policy in order to transform threats into opportunities:-

- The role of leadership
- Political and economic stability
- Focus on social and human development
- Strategic consensus between the political parties, civil society and other stakeholders like the military and bureaucracy on major foreign policy issues
- Inter and intra-provincial harmony
- Promoting an enlightened and pragmatic approach to deal with issues which are contentious and critical in nature

Road Blocks

1. Fragility of Pakistani nationalism
2. Lack of ownership and responsibility
3. Corruption, nepotism, and poor work ethics at the state and societal level
4. Absence of a tolerant and forward looking approach
5. Lack of professionalism
6. Lack of focus and concentration on issues which require serious contemplation



Recommendations

- Pakistan should transform from a fragile state to the sound state by developing a strategic relationship with neighboring and other countries despite having conflicts. For Instance; China and Russia trade commodities despite having conflicts. Same situation exists for Nepal, Kuwait, Israel and Vietnam.
- Pakistan lacks the potential to observe how to get things done through trade liberalization and understanding of international perspective. Israel strategically handled the trade with liberalization and understanding of international law. Israel's per capita income is more than of Saudi Arabia and Jordan. Pakistan should also focus on these lines to turn the compulsions into opportunities.
- Human development should also be the focus of government like Italy and Japan. The system should be in place to work. Whereas, government's focus is on spending 200 million rupees on Orange Line and much less on health and education.
- Pakistan can get more benefits if the grey side of CPEC may be resolved by eliminating security threats. As our leaders have not been able to resolve the issues and have accepted that they will remain subordinates to kings. When it is the responsibility of leadership to provide justice, jobs and security.
- There is no critical thinking which innovates discoveries. We live in a state of inferiority complex. All the good books are being published in the foreign land when they are written here. We live in a country where, Raymond Davis gets released even when he was found guilty. There is a need to change the mindset.
- Opportunities should be seized at the right time with the right potential.

COURSE SESSION – 3

Topic:	CPEC: Would Provide Strong Economic Impact on GDP Growth of Pakistan?
Resource Person:	Dr. Ashfaq Hassan Khan
Date:	16 August, 2016
Day-Session:	2-2

Format and Methodology

The session started with examining the possibilities of strong economic impact on GDP by attracting local and foreign investment.

Objective

How China Pakistan Economic Corridor is an economic growth and development belt based on a comprehensive passageway running through the two countries.



What is CPEC?

- Economic Corridor refers to a trans-regional economic belt linking key economic regions with transportation and communications infrastructure. The China Pakistan Economic Corridor (CPEC) consists of comprehensive transportation and communications network linking two countries.
- It aims to promote economic and social development, prosperity and social stability along the corridor, supported by major infrastructure construction, cooperation in industry and projects related to people’s livelihood.
- Its key nodes are cities such as Kashgar, Gilgit, Islamabad, Lahore, Multan, Sukkur, Karachi, Peshawar, Quetta and Gwadar.
- The CPEC spans all over the Xinjiang Uygur Autonomous Region in Western China and the whole territory of Pakistan, linking Central and South Asia and the Indian Ocean coastal economic zone.

Background of the CPEC

- Chinese President Xi Jinping proposed to establish Silk Road Economic Belt in September 2013. China intends to revive old Silk Road. It is the centerpiece of China’s economic diplomacy.



- In May 2013, Mr. Li Keqiang, Prime Minister of China visited Pakistan. Chinese Premier and his Pakistani Counterpart reached an important consensus on building the China Pakistan Economic Corridor and decided to jointly prepare a long-term plan on CPEC.

- The central role of the Corridor was clearly defined in April 2015, when President Xi Jinping visited Pakistan and launched a number of projects with priority.
- A special cooperative mechanism was created by the two governments to implement the agreements reached by leaders of the two countries.
- CPEC is a State-level initiative authorized by the governments of China and Pakistan. CPEC is in line with China's Five Year Plans while Pakistan's Vision 2025 provides a sound basis for this initiative.

About the Corridor

- CPEC is an economic growth and development belt based on a comprehensive passageway running through the two countries.
- CPEC passes through Pakistan and connects the Xinjiang Uygur Autonomous Region. Kashgar is located in Southwestern Xinjiang. In 2010, Kashgar was declared as the 6th national special economic zone. The aim is to transform it into a Central Asia Free Trade Zone.
- CPEC would connect Gwadar with Kashgar. The route would comprise a network of roads, railway, energy hubs, industrial parks and allied services.
- CPEC's main benefit would be the development of its underdeveloped and largely underutilized but strategically located Gwadar Port by making it a regional transit hub.
- Gwadar has total traffic of 0.5 million tonnes of cargo today; expected to handle 1.0 million tonnes of cargo by 2017. When completed and fully functional, it will handle 300-400 million tonnes of cargo per annum as against India's total port capacity to handle 500 million tonnes of cargo. The Long Beach Port of the United States is the largest port of the US. It handles 80 million tonnes of cargo each year which is just 20 percent of Gwadar's future capacity.

Importance of the CPEC

- Why CPEC is so important for Pakistan?
- CPEC connects Kashgar, Taxkorgan, Gilgit, Islamabad, Lahore, Multan, Sukkur, Karachi, Peshawar, Quetta and Gwadar as important node cities. Thus, Corridor spans all over Pakistan and the Xinjiang Uygur Autonomous Region of China, connecting Central Asia, South Asia and economic zones along the Indian Ocean Coast.
- CPEC will play a major role in economic and social development of Pakistan and the Western region of China.
- CPEC is an integral part of China's Belt and Road Initiative and is expected to help accelerate the pace of industrialization and urbanization in Pakistan.
- CPEC, once implemented, has the potential of transforming Pakistan's economy from a low growth mode (3-4%) to a higher and sustainable growth economy with low inflation, removing key infrastructural bottlenecks (energy, roads, highways, railways etc.) promoting balanced regional growth and development, shaping new industrial clusters, improving living standards, social stability and promoting regional connectivity.

Achieving Development Goals through Phased Strategy

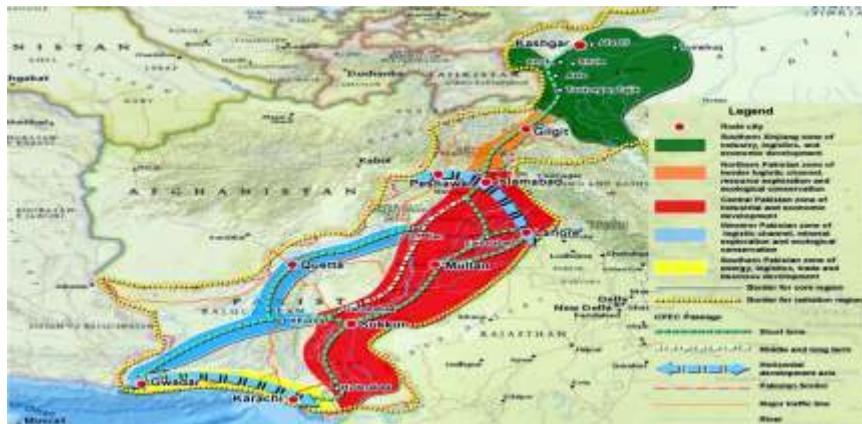
- CPEC is a growth and development plan of the Belt and Road Initiative based on a comprehensive transport passageway running through Pakistan and Western China.
- Development Goals are to be achieved phase-wise in the following way:
 - CPEC Plan spread over 15 years: 2015-2030
 - 2015-2020 (Short-Term Plan): Corridor Construction will have begun to take shape; major bottlenecks restraining Pakistan's economic growth and social development removed; corridor construction beginning to drive regional economic growth along the Belt, both in China and Pakistan
 - 2020-2025 (Medium-Term Plan): Corridor established with a more complete industrial and functional economic system, people's living standard improved significantly and uneven regional development issues addressed
 - 2025-2030 (Long-Term Plan): Corridor fully functional, self-generating growth has taken shape, corridor playing a radiating and leading role in Central and South Asia and becoming an international economic zone of global influence
 - Corridor is expected to fuel economic growth of Pakistan by adding 2.0 percentage point to its growth during 2016-2020; another 1.5 percentage point during 2020-2030. It is likely to

create 800,000 to 1.0 million new jobs. The length of newly built or upgraded roads and railways should reach 3871km and 1529km, respectively. Power generated by newly built sources will reach 19.785 million KW and length of optical fiber cable will reach 2084km.

Spatial Layout of CPEC

- CPEC consists of “one belt, three passages, two axes and five functional zones” in terms of its spatial layout.
- “One Belt” refers to the belt which consists of zone area of the CPEC and the economic cluster area of industries, population and cities. It runs from Kashgar to Karachi and Gwadar on the Arabian Sea.

- “Three Passages” refer to the eastern, central and western routes. Eastern route consists of railway-highway network from Islamabad to Karachi via Lahore, Faisalabad, Multan, Sukkur and Hyderabad and is considered as the main traffic artery of the corridor.



- Central Route starts from Islamabad to Karachi via Darya Khan, Jacobabad and Khuzdar through N25 or to Gwadar through M8.
- Western route starts from Islamabad to Gwadar via D.I.Khan, Quetta, Basima and Hoshab.
- “Two Axes” refers to two east-west development axes in the corridor: Lahore-Islamabad-Peshawar and Karachi-Gwadar development axes.
- Economic development levels and geographical location conditions of the areas where “two axes” are located differ greatly. They are key areas for the strengthening of regional linkage and promotion of balanced development of regions in the corridor construction.
- “Five Functional Zones”: The Corridor is divided into five functional zones according to the regional development level, industrial structure, resource and environmental bearing capacity, and growth potential.
- Southern Xinjiang Zone of Industry, logistics and economic development (Kashgar-Atushi-Tumshuq-Khunjerab)
- Northern Pakistan Zone of border logistic channel, resource exploration and ecological conservation (Islamabad-Khunjerab)

- Central Pakistan Zone of industrial and economic development (Karachi-Sukkur-Multan-Lahore-Islamabad-Peshawar)
- Western Pakistan Zone of logistic channel, mineral exploration and ecological conservation (Gwadar-Quetta-D.I. Khan)
- Southern Pakistan Zone of energy, logistic, trade and business development (Gwadar- Karachi)
- These five functional zones cover major node cities, traffic passages and industrial cluster areas.



Connectivity

- To create a railway, highway, civil aviation and Gwadar Port development, a comprehensive transportation system connecting Pakistan and Xinjiang requires the transformation of existing infrastructure and further expanding them according to the requirements.
- **Highways:** During 2015-2020 (short-term), highway projects such as the Karakoram Highway Phase II Project (Thakat-Islamabad), extension project of China's G314, Lahore-Multan-Sukkur Highway, extension project of the M4 Faisalabad-Multan, and the M8 and N85 extension projects will be implemented.
- During 2020-2025 (Medium-Term), the KKH Phase II project (Raikot-Thakot), Sukkur-Hyderabad Highway M8 secondary road Langu-Hushabo will begin. By 2030 and thereafter, the road from Islamabad via Dalahan and Dela Alac connecting with M8 will be put on the schedule.
- **Railways.** During 2015-2020, renovation and extension of ML-1 and ML-2 lines and Havelain Land Port will be completed. The new railway project from Jacobabad to Gwadar will start during 2020-2025. In 2030 and thereafter, a new line from Kashgar to Havelain, the passenger special line between Karachi and Peshawar and the expansion and renovation of existing line between Quetta and Taftan, Peshawar and Landi Kotal will be considered.



- **Civil Aviation.** Current project include building new Gwadar airport, renovating and expanding Kashgar International Airport, and accelerating the construction of Yarkant Airport.
- **Gwadar Port** will be built as the important western passage-way of Pakistan, providing the CPEC with an ocean outlet and thus a key economic link between China and Pakistan. The port operation capacity is being enhanced to enable it to provide multi-functions such as docking, storage, reloading, shipping services, multi-model transportation management and neighboring-port facility.
 - The idea is to give priority to commercial and trade logistics to link industries of China and Pakistan by unifying port and zone construction.
 - Improving transportation infrastructure from Gwadar to the broad hinterland; ensuring good supply of water, electricity and telecommunications are part of the Gwadar Port development and modernization plan.
 - Commercial and trade logistics are given top priority in Gwadar free trade zone.

Infrastructure of Information Network

- China-Pakistan cross-border optical cable of 910km will be laid from Taxkorgan via Khunjerab in Xinjiang to Sust and onto Islamabad.

Cooperation in Energy

- Chinese enterprises are encouraged to invest in Pakistani energy projects in the field of thermal, hydro power and new energy sources by utilizing local resources, such as Thar Coal and related electric power. The idea is to remove Pakistan's energy bottlenecks, reinforce the main grid structure and power transmission and distribution network, to study and promote oil and gas resource cooperation for development.
- By 2020, thermal power is expected to reach 13005 MW, of which, imported coal power will account from 8880 MW, local power stations near coal mines 3600 MW and gas 525 MW.
- 2690 MW should come from hydropower by 2020. By 2020, 350 MW will come from wind power and 1000 MW from photovoltaic power generation.

Industries and Parks

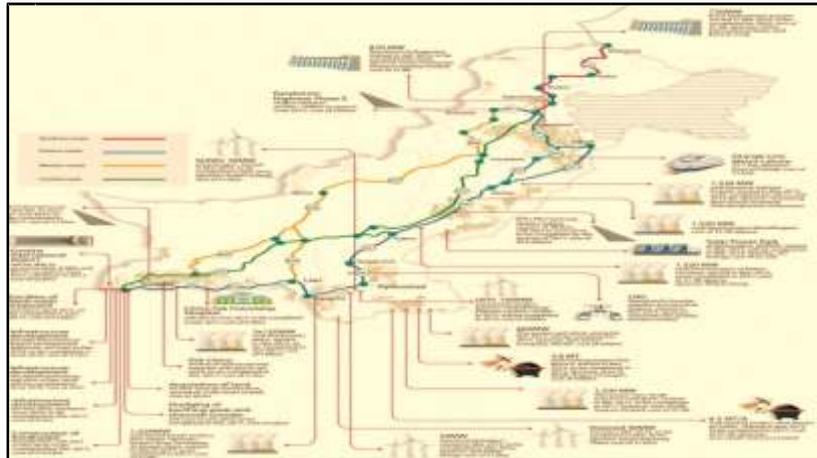
Under CPEC, various Pakistani industries will benefit. These include:

- **Textile Industry:** The garment and textile industry will be developed in Kashgar Economic Development Zone through importing raw materials from Pakistan.

- Textile and Garment Centers or Export Processing Zones (EPZs) will be built in Lahore and Karachi. To enrich cotton textile varieties, investment should focus in producing top grade cotton yarn, printing and dyeing fabrics, jean fabric and knitted fabric.
- Household Appliances Industry appears to have a bright future. Living conditions of Pakistani people will be improving gradually. Some Chinese enterprises have already established plants in Pakistan. A household appliance industrial park will be established near Lahore through joint ventures. They will move from assembling imported parts to producing them locally.
- Cement Industry: The demand for cement will continue to rise because of the rising construction activity. More investment can be made in cement industry to meet the growing demand for the CPEC related construction projects.
- Mineral Exploration is another area where Chinese enterprises will have interest.
- Industrial Park Construction along with the corridor should be considered by Pakistani-Chinese investors.

Agricultural Development and Poverty Reduction

- For food security, agricultural modernization should be promoted along with the corridor. Key target is to increase per acre yield of rice, wheat, cotton, sugarcane and the output of livestock and dairy sectors including fish and shrimp.



- Organic and chemical fertilizer production should be developed around Lahore and Karachi.
- A modern agricultural demonstration zone should be built in Quetta and Gwadar regions to lead local agricultural development.
- To increase farm employment along with the corridor, efforts will be made to focus on developing agricultural product processing. By introducing modern agricultural product processing equipment and facilities, an agricultural industry cluster could be built around Islamabad, Lahore and Karachi.



- To reduce losses of fresh agricultural produce and increase local farm income, agricultural produce warehousing and logistics facilities be built in Peshawar, Islamabad, Lahore and Gwadar.
- Gwadar Port infrastructure needs to be improved for fishery production.
- Epidemic disease prevention and control related to agricultural produce should be developed in Faisalabad and Lahore.

Coastal Tourism

- Coastal tourism development has enormous potential under CPEC. Coastal tour line is Keti Bundar-Karachi-Somiani-Ormara-Gwadar-Jiwani.
- Building landmark hotels, golf courses, high-end nursing homes, race courses and a hot air balloon facility along coastal city tourism zone.

Financial Cooperation

- Financial cooperation will play an important role in economic corridor construction and operation.
- Multi-level cooperation include:
 - Central bank cooperation for establishing bilateral payment and settlement to ease pressure on foreign exchange reserves.
 - Business Organization Cooperation where Chinese financial institutions can lead the syndicated loans of international financial institutions.
 - Cooperation in Financial Markets where the two countries can open their bond market.
 - Free Trade Agreement (FTA) financial cooperation for issuing RMB bonds for FTA infrastructure support.

Overall Impact on Economy

■ Impact on Growth

- CPEC will have wide ranging positive impact on economic growth. How Pakistan benefits from CPEC will depend on Pakistan's leadership and their policies. In other words, it is Leadership Policy Reforms (LPR) which will determine the size of the benefits.
- Key components of GDP include agriculture; manufacturing; mining and quarrying; electricity and gas distribution; construction; transport, storage and communication; finance and insurance; and ownership of dealings.

- CPEC is expected to contribute significantly in each of the component of the GDP. Hence, it is expected to enhance economic growth at least by 2.0 percentage point by 2020 and additional 1.5 percentage point by 2030.
- Higher economic growth will create additional jobs in the range of 1.5-2.0 million per annum; will increase per capital income, will increase tax revenue and hence bring more prosperity.
- The risk is on the balance of payments side. CPEC related imports will continue to rise thus accelerating import growth, going forward.
- Exports are on the decline and the prospects of remittances inflow blurring as a result of low international price of oil.
- This development will widen current account deficit. To finance this deficit, Pakistan will have to borrow in foreign exchange.
- If Pakistan fails to improve its exports, attract more FDI other than Chinese FDI and given the not-so-bright prospects of remittances, it may face serious balance of payments challenges.

Challenges and Risks

- CPEC is a huge and multi-dimensional project. It requires large scale technical manpower from Pakistani side. The current state of Pakistan's human capital can pose serious challenges for the implementation and execution of this project.
- International Financial Institutions may create hurdles in securing finances to complete the project in time.
- Bureaucratic hurdles in terms of lethargic and non-serious attitude, lack of understanding of the complexities of the project, little flow of information from Pakistani side and politics – all are major headwinds towards completing the project in time.
- Declining exports and uncertain future of stable growth in remittances may pose serious challenges for the balance of payments.

What needs to be done?

- CPEC has enormous potential to transform Pakistan's economy from a relatively low growth mode to a relatively higher and sustainable growth economy.
- It will generate millions of jobs directly and indirectly; will raise per capita income and will bring prosperity in the country.



- It will also help in developing the country's much needed infrastructure and will promote balanced regional development.
 - Pakistan needs to give serious attention towards its human capital, build capacity in bureaucracy to handle the project, generate a pool of skilled manpower in the country in general and Balochistan in particular for this project.
 - There is an urgent need to set up CPEC Development Authority comprising civil and military officers to coordinate with different line ministries for its smooth and timely execution of the project.
 - Serious and urgent effort is required to control the declining trend in exports. All effective measures must be taken urgently in consultation with stakeholders to control the declining trend in exports. This is essential for preventing balance of payments crisis as a result of rising CPEC related imports.
 - CPEC is a Chinese gift for Pakistani nation. Every effort should be made to make it a great success.
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COURSE SESSION – 4

Topic:	Groups-Activity on Threats VS Opportunities
Resource Person:	Group-A & Group-B
Date:	17 August, 2016
Day-Session:	3-1

Format and Methodology

The session started by dividing the participants into two groups for developing an analytical approach about potential threats and opportunities related to CPEC. A brainstorming session of two hours brought about the recommendations and some analytical views.

Objective

Run a brainstorming session for development of an analytical view on the previously held sessions and to draw a comparative analysis on opportunities and threats.

Group-A



BUREAUCRATIC HURDLES

- Systemic
- Social
- Attitudinal



LPR

- Leadership
- Policy
- Reform



Group (A) LPR

Leadership

- Inadequate grooming and training
- Lack of sincerity of purpose
- Lack of vision
- Issues related to selfless devotion and commitment

Policy

- Lack composite holistic approach
- Setting unrealistic policy ends
- Non-adoption interactive approach with all stakeholders
- Unnecessary delays in policy decision – losing entire context
- Inconsistency and adhocism

Reform

- Centralization of effort
- Unable to accept the contemporary best practices
- In-adaptation to cut the system as per requirement
- Aversion to change – inertial frame of mind

Group (A) _____ BUREAUCRATIC HURDLES

Systemic

- Cumbersome and lengthy process
- Capacity issues
- Vested interests
- Non-professional approach
- Primitive and rudimentary practices

Social

- Nepotism
- Lack/sense of duty and responsibility
- Peer pressure
- Lack of accountability
- Lack of honour code

Attitudinal

- Casual attitude
- Laid back approach
- NATO (No Action and Talk Only)

Recommendations

- Shorten vertical bureaucratic tiers and over centralization
- Job specification/description
- Work to be linked with accountability
- IT based reforms connecting entire CPEC architecture
- Policy based governance
- Consistent/Long term policies
- Mechanism for periodic review of policies
- Institutional reforms-private and public sector partnership/building task forces of experts

Group-B

■ FINANCIAL

- Loan/Investment
- Monetary
- Fiscal

■ NATO

Group (B)

Recommendations

Loan/Investment

- After hearing the resource persons, it is yet not clear whether it is loan or investment
- This group recommends that in each project whether it is energy, road, railway, Gwadar Port or any other project, nature of the loan or investment or grants/aid needs to be clearly identified/specified along with rate of interest or mode of return
- This group recommends that loans/investment should be in the shape of:



- soft loan with very low rate of interest or favorable mode of return
- Public/private partnership with a win-win situation
- Agreements should be detailed to the core for ensuring total transparency
- CPEC Development Authority should be established with clear detailed mandate
- The Government should be entitled right of first refusal to a Chinese company in case a local Pakistani company qualifies in the first instance

Monetary

- Apparently Exim Bank, China is engaged in major loaning/investment activity
- The arrangements between the State Bank of Pakistan, Economic Affairs Division, Ministry of Finance and the Chinese funding institutions including Exim Bank should be very specific, detailed and transparent to the core issues relating to exchange rate (Chinese currency vs PKR) should be minutely fixed to the detail
- Possibility of implementing projects through Chinese currency and PKR should be looked into with due regard to the international monetary system

Fiscal

- The issues relating to taxation, double taxation, exemptions, creating islands of exemptions are very important
- Domestic industry concerns should be given due regard
- International investment should not be placed at advantage vis-a-vis the local industry as it is already struggling against the global economic onslaught on account of higher technologies, economies of scale, expensive input materials, costlier energy and less competitive human resource
- Federal Board of Revenue (FBR), Ministry of Commerce, Economic Affairs Division, together, should be fully involved in all negotiations relating to fiscal measures resulting in exemptions detrimental to the interest of local trade, industry and service sector
- Statutory regulatory orders should be simple, detailed, highly elaborative with regard to procedure and nature of exemptions so as to avoid future administrative hazards and court litigations
- This would also facilitate the international investor in smooth implementation of the projects without delays and bring in cost effectiveness

COURSE SESSION – 5

Topic:	How Far Pakistan Would Only Shift From One Dependency (USA) to Another (Chinese)?
Resource Person:	Dr. Hasan Askari Rizvi
Date:	17 August, 2016
Day-Session:	3-2

Format and Methodology

The session started with the deliberations on foreign policy and other important aspects that can transform dependency to the need based relationship.



Objective

Finding possibilities to turn a dependency relationship to the need based relationship.

A New Relationship

CPEC is a new relationship with China. It creates a relationship of interdependence. Pakistan's challenge is isolation not dependence. Isolation is not an option in international system today. There is not a standardized procedure to conduct international relationships. Different states have adopted different strategies to achieve national gains. For economic, military, diplomatic support, a country needs dependencies which give rise to a need based relationship.

A need based relationship with all important stakeholders includes:

- Shared aspiration (particular political/economic futures)
- Urge need based relationship
- If above, then you need not entangle yourself to others' interests

Factors influence (foreign policies)

1. Examine nature of global system
2. The peculiar security/stability of a state (internal/external security)
3. Orientation of the policymakers/power lead and their preferences
4. Availability of required support in the international system

In the 1950s Pakistan's foreign policies were influenced by an era of alliance. The change to foreign policy came after 1965 and 1970s. There was a closed kind of relationship from 1980 to 1990 in the Afghan war alliance. From 1990 to 2001, Pakistan was under four kinds of US sanctions. After 2001, it was an era of terrorism where both positive and negative aspects of the relationship was experienced. This is how things will move in future. Now, Pakistan is moving closer to China through counter terrorism and economic alliance and private sector relationship with banks.

Pakistan's foreign policy does not leave room for a dependency relationship with China. The foreign policy scope of Pakistan implies a broader rather than substitute its relationships. This is an age of multiple relationships with other nations through media, culture and supports. In this



context CPEC provides opportunities to Pakistan but does not hinder creating relationships with other nations. Pakistan has a geographical significance where it is located in South Asia and is of importance to Central Asia and Western China. CPEC is the global policy of interdependence which China is pursuing. It is also a part of

reducing economic disparity within China – developing Western China. In conclusion, the relationship between Pakistan and China will be interdependent if both benefit. Otherwise it will be a relationship of dependence. For interdependence to occur we need to address particular issues on priority basis.

Discussions from Q&A

There is a concern that US has the capacity to apply pressure on South China Sea. In the next 20 years this could mean China's naval and military presence at Gwadar. There is also presence of other naval forces such as of UK and US near Gwadar so interference to China can be from there as well. Presence of US is all over the world. However, they have a long term fear that Chinese will have military presence and they will prepare for it. Despite this fear the China-US relationship will not aggravate up to the point that it will hinder its economic interest.

A response to a question concerning dependence on US was that Pakistan should count on US which will help it against India. The kind of military training Pakistan received in the 1950s is tantamount to joining the US alliance. In addition, the military assistance up until 1965 US was the number one supplier of weapons to Pakistan.

With time China-India conflict will continue on South Asia and at the moment there is no improvement. From the point of view of Pakistan, there is a need to review its relations with its neighbors. For now, Pakistan's trade with Iran and Afghanistan has declined. However, Iran has offered 1000 MW now and 2000 MW of



electricity in future. In order to exploit the situation Pakistan needs additional transmissions lines in Balochistan to add to national grid.

Challenges

1. Pakistan's foreign policies have been affected by its relationship with India.
2. Pakistani rulers and foreign policies are pro-West.
3. Extremism/terrorism is not the priority of government at operational level.
4. Bickering among the provinces for the energy projects-the government is not willing to talk about the location of projects. A sense of economic injustice will be dangerous to the CPEC.
5. There is presence of naval forces of other countries near Gwadar so interference to China can be from there as well.
6. How can the economic and military alignments be used affectively?
7. There are inequities in Pakistan.
8. There is Indian interference in Pakistan regarding terrorism.
9. With respect to PAK-US and PAK-China relationships how can both be perceived?

Recommendations

1. The policymakers need to cash in the opportunity created by CPEC through roads, railways, energy, etc.

2. It is important that there is fair treatment of all the provinces by the government under CPEC.
3. In order to produce desirable results, effective means should be used. In 2003, Iraq was invaded by US, but it could revive Afghanistan and Taliban came to fill the vacuum. These days we are economically aligned with countries. We can talk of alignments but different than those of military ones in the 1950s and cold war. Economic cooperation can be used for economic alignments.
4. Inequities need to be dealt with at the operational level. The common people suffer from injustice. However social justice is not the focus of the government so far and we will continue to suffer from that.
5. For CPEC to benefit people, the state should take specific actions to reward. So CPEC has to be aligned to benefit people as well. There needs to be transparency.
6. With regard to Indian interference in Pakistan the groups that become centre of attraction with enemies need to be disarmed by resolving internal issues and international diplomacy.
7. For stabilizing Pakistan's relations with US is important. Its relationship with China is important for economic development. Therefore, relationships with both are important and should continue as US provides opportunities through monetary means whereas, China through projects.
8. When viewing US presence in South China Sea the use of military power along with other avenues such as economic and diplomatic should be remembered. In general, the use of power (soft and hard) needs to be used judiciously. The question is when and where to use what is important.

COURSE SESSION – 6

Topic:	CPEC and OBOR: Pakistan Perspectives in the Context of CPEC Long Term Plan
Resource Person:	Dr. Safdar A. Sohail
Date:	18 August, 2016
Day-Session:	4-1

Format and Methodology

The session discussed the long term economic impact of CPEC on Pakistan. The CPEC has been analyzed in the context of relocation of industry from Europe, US (& Japan) to Asia. Energy supplies from Western Asia and development of West Asia, pushing up the consumption and demand for imports.



OBOR as a precursor of China centered new Economic Geography, still looking for a new organization principle and template.

Objective

Analyzing the long term economic impact on Pakistan while discussing the various routes for networking to the international world.

One-Belt One-Road (OBOR)

- In September 2013, during a visit to Kazakhstan, China’s president, Xi Jinping, announced a Chinese initiative-the setting up of connectivity across the landmass of Eurasia and the waters of the Indian Ocean that would collectively be known as the OBOR. He anchored this vision in the old Silk Road, which in his view had originated with the encounters of imperial envoy Zhang Qian (200-113 BC) with Central Asian civilizations over two millennia earlier.

Old Connections

- The old Silk Road had a vibrant life of over three millennia, linking Asia with Europe and emerging as the principal conduit for the movement of global trade, merchants, preachers,

professionals and intellectuals. It was marked by hundreds of market towns: Xian, Chengdu, Kunming and Kashgar in China; Khotan, Samarkhand and Bokhara in Central Asia; Taxila, Persepolis, Bagram, Kandahar and Merv in India and Iran, and Tyre and Antioch in the Mediterranean.

- The sea routes linked the ports of Northeast, Southeast and South Asia with the Arabian Peninsula, and then through the West Asian caravan routes, and the Persian Gulf and the Red Sea routes, went westwards to the Mesopotamian and Egyptian empires and culminated in Greece and Rome.

New Connections

- New connections has started emerging in the areas of energy, trade and investment in the backdrop of a general resurgence across Asia, particularly in China. A decade before Xi's announcement of the



OBOR, a thriving “Silk Road” connectivity had already come to link the Asian countries and constitute their most important economic relationship.

Conditions of the Emergence of OBOR

- Relocation of industry from Europe, US (& Japan) to Asia
- Energy supplies from Western Asia and development of West Asia, pushing up the consumption and demand for imports
- Emergence of Central Asian countries as sovereign states
- OBOR as a precursor of China centered new Economic Geography, still looking for a new organization principle and template

OBOR Routes: Land Routes

- Beginning at Xian, the OBOR will have two routings: one, across China to Kazakhstan and then Moscow, and the other through Mongolia and Southern Russia to Moscow. Both routes will merge and then go on to European cities - Budapest, Hamburg and Rotterdam. The southern route will branch into one that will cross Iran and Turkey and end at Budapest. It will



have another branch from the Pakistani port of Gwadar to the Chinese city of Kashgar in the western province of Xinjiang.

OBOR Routes: Maritime

- “Maritime Silk Road” or simply the “Road,” made up of ports and coastal development, begins from China’s eastern ports and goes on to Southeast Asia, South Asia, East Africa and then on to West Asia and the Mediterranean, embracing Greece and Venice and ending at Rotterdam. Both routes, again recalling the old Silk Road, will have a series of loops and branches, with the two main routes also meeting at important junctions, such as Gwadar, Istanbul, Rotterdam and Hamburg.

Economics of OBOR

- When completed, the OBOR will include 60 countries, with two-thirds of the world’s population, 55 percent of the global GDP and 75 percent of global energy reserves. It will consist of 900 infrastructure projects, valued at about 1.3 trillion US dollars with the help of Chinese banks, financial institutions and special funds. In the first place, China will support the construction of 4000 km of railways and 10,000 km of highways in Central Asia, with nearly 16 billion US dollars. The sheer range and audacity of the concept is rooted in the significant technological, human, financial and political resources of China. The results are there to see:-

	Kazakhstan	Kyrgyzstan	Pakistan	Afghanistan
2005 Exports	\$2.423 BLN 8.7%	\$26.52 MLN 3.95%	\$435.68 MLN 2.71%	
2005 Imports	\$1.252 BLN 7.22%	\$102.88 MLN 9.29%	\$2.349 BLN 9.36%	
2010 Exports	\$10.122 BLN 17.68%	\$28.255 MLN 1.9%	\$1.436 BLN 6.71%	\$11.692 MLN 3.01%
2010 Imports	\$3.965 BLN 16.5%	\$666.3 MLN 20.68%	\$5.248 BLN 13.98%	\$703.845 MLN 13.66%
2014 Exports	\$9.799 BLN 12.33%	\$38.955 MLN 2.2%	\$2.253 BLN 9.11%	\$15.453 MLN 2.71%
2014 Imports	\$7.357 BLN 17.82%	\$1.432 BLN 23.94%	\$9.588 BLN 20.17%	\$1.038 BLN 13.49%

Share of Exports/Imports to China as % of their total Exports/Imports

Launching of CPEC as a Flagship of OBOR in the Face of Structural Bottlenecks of Pakistan’s Economy

- Low FDI, particularly in manufacturing
- Falling export competitiveness/Productivity of Labour/Total Factor Productivity (TFP)
- Poor Investment Climate
- Poor Economic Governance/Weak Institutions
- Low Tax to GDP Ratio
- Infrastructure Deficit (\$ 187 Billion)
- Water Resource Management
- Technology Lag
- Poor Agricultural Performance

CPEC Early Harvest Projects and Long Term Plan



Projects	Estimated Cost: US\$ Millions
Energy	34,413
Transport and Infrastructure	
• Roads	6,100
• Rail Network	3,690
• Gwadar Port	793
• Others	44
Total	45,040

Early Harvest Projects of CPEC

Vision for CPEC in Long Term in Nov. 14 MOU

Vision of China for the Region with OBOR

- Improve the international and regional integration in the global economy



- Form new international logistics networks and industrial layout
- Promote regional economic development through steady growth of trade & investment
- Establish new benchmark for deepening economic cooperation in the new situation

Vision of China for CPEC

- Share with Pakistan, China's advantage of funds, technology, production, engineering and operational capability for mutual development
- Promote long-term social stability in Pakistan and prolonged political stability in Xinjiang
- Accelerate the implementation of the Silk Road Economic Belt and Western Development Strategy

Planning Vision for CPEC Long Term Plan

- Modernize infrastructure and break critical bottlenecks in infrastructure which constrain long-term growth and development
- Connect major economic regions of Pakistan with a view to reduce regional economic development gaps through the emergence of Node Cities as engines of growth
- Up-grade the development, particularly at the provincial governments with the help of Chinese aid and investment
- Upscale investment relations with China to promote exports of goods and services to China, grow the industry and employment; strengthen and form new industry clusters

The above could result in a high growth trajectory, would ensure food, water and energy security and improve the quality of life of the people and promote peace and stability in the region.

CPEC Long Term Plan 2016-2020

CPEC LTP Spatial Plan

- **Connectivity:** transport and trade facilitation, freight corridors, energy corridor, communications corridor.
- **Functional Zones** imagined as 'spatial development areas' produced as a result of transport infrastructure-led system of Core Areas/Areas of influence and Extension Areas.
- **Priority Development Plans** in Core areas with the help of industrial parks, special economic zones, integrated hub areas along the economic corridor, new population centres in the area of influence of the economic corridor, centring round **Nodes** such as Kashgar, Taxorgan, Gilgit,

Islamabad, Lahore, Multan, Sukkur, Karachi, Peshawar, D. I. Khan, Quetta, Gwadar and such other nodes/growth centres, identified in future.

Key Sectors for Development

- Manufacturing: (Including textile and apparel, household appliances, motor vehicles, auto components and other transport equipment and vehicles, machinery and equipment, including electrical machinery etc, light engineering industries, fabricated metal products, leather products etc.
- Construction material industry: (Including marble granite cement and other mineral, etc.)
- Agriculture: agriculture production, food products and beverages
- High and new technology: (Including IT, Bio Tech, Pharmaceutical, R&D, Clinical Research, etc.)
- Other fields: (Including basic metals, Petroleum Refining, Rubber and Plastic Products, etc.)



‘Special Plans’ in the LTP

Overview

- Spatial Layout and Functional Zones
- Industrial Parks
- Communications
- Agriculture
- Water Resources
- Coastal Tourism
- Finance

Management of LTP: Setting up a Results Framework; Set up a consolidated data centre, put in place an evaluation system of the implementation of the Plan.

‘Unrestricted Targets’, as given in Draft LTP

GDP Growth: 1.5 percentage points on the original basis from 2016 to 2020 and another 1 percentage point from 2020 to 2030

Annual Average Trade Growth: 24 % from 2016 to 2020 and 16 % from 2020 to 2030



Annual Average Investment Growth: 25% from 2016 to 2030 and 20 % from 2020 to 2030

Contribution of Industry to GDP: 1.5 % plus

New Jobs: From 500,000 to 800,000

Length of new or upgraded Roads & Railways: 3,871 km and 1,529 km

Power generated by new sources: 17000 MW

Length of optic fiber cable: 2,084 km

Different Dimensions of CPEC

- Trade/Transit Corridor
- Trade and investment intensification/economic integration between two countries
- Development partnership for inclusive development

What would CPEC become?

- A modest upscaling of Chinese FDI as compared to Chinese FDI elsewhere
- Merely a Trade/Transit Corridor like Suez Canal, Afghan Transit Trade
- A Marshall Plan for Pakistan
- Holistic strategic approach like EU's for East European countries, supported big time by Social Solidarity Fund/Cohesion Fund
- Economic Integration like NAFTA
- China as a new development partner, with a difference

Making CPEC work for Sustainable Development in Pakistan:

The Real Agenda

- Leveraging Pakistan's strategic location/importance: Past 15 Years
- Enhance the alignment of CPEC led 'China Strategy of Pakistan' with other policies
- Strategic Trade Policy Framework (STPF) 2015-18
- Domestic Commerce Reform and Development
- Industrial Policy
- Investment Policy
- Competition Policy
- Provincial governments' development policies
- Chinese Aid
- Major Risks while finalizing CPEC Long Term Plan.

Programme	Sponsor/Implementer Ministry	Objectives	Achievements	Causes of sub-optimum results
9/11 Debt restructuring	Ministry of Finance	Improve macro picture & enhance public spending	Modest	Poor planning of projects and inefficient implementation
GSP Plus	Ministry of Commerce	Enhanced market access to EU	Modest	Failure of competitive enhancement efforts
China-Pakistan FTA	Ministry of Commerce	Enhanced market access to China	Modest	Poor promotion of FTA; stagnant productivity
ROZs	Ministry of Commerce, MOFA	Develop Tribal Areas	Zero	Poorly design intervention
FODP	Planning Div. MOFA	An all round boost to the economy	Zero	An all round poor follow up
	EAD, MOFA			

Leveraging Pakistan’s Strategic Location/Importance: Past 15 Years

Enhance the Alignment of CPEC led ‘China Strategy of Pakistan’ with other Policies

- Strategic Trade Policy Framework (STPF) 2015-18
- Domestic Commerce Reform and Development
- Industrial Policy
- Investment Policy
- Competition Policy
- Provincial governments’ development policies
- Chinese Aid

Major Risks while Finalizing CPEC Long Term Plan

Set I: Questions of Strategy

- Is it a well-structured Project/Programme?
- Effectiveness of FDI and Trade in Development
- Role of Industrial Parks in Industrialization



Set II:

- Governance capacity
- Structural problems with Pakistan's Development Model

Set III:

- Inclusiveness of Development
- Questions of Equity in a Federation

Critical Conditions of Success

- Improving the governance weaknesses as it may turn out to be the most important risk factor of CPEC from Pakistan side
- Enhancing the efficiency and fairness in State-Market relations
- Capacity of the government agencies to improve/modernise the business environment in Pakistan
- Economic governance and the prevailing Development Model
- Discord between the development models of China and Pakistan and lack of patience of Chinese with Pakistanis
- Western orientation of our Firms (Example of the linkage between Policy Support and Re-socialization: Textile Quota under MFA, GSP Plus, CBI)
- Pakistani firms inability to meet Chinese market demand, enhance their participation in regional value chains and production sharing arrangements, and enhance their productivity
- Weak Services Sector in Pakistan
- Failure of government agencies in enhancing the competitiveness of Pakistani firms, undertaking domestic reform, improving standards and enhance regulatory efficiencies, poor business and export development services

COURSE SESSION – 7

Topic:	Potential Threats & Constraints in Networking of Roads & Railways Link as Planned
Resource Person:	Raja Nowsherwan Sultan
Date:	18 August, 2016
Day-Session:	4-2

Format and Methodology

The session covered the potential threats and constraints of networking of roads and railways. An objective overview is explained with the recommendations and strategies to be followed in a way forward.



Objective

Analyzing the role of NHA in facilitating road and railway networks by carrying out the feasibility study and resolving the constraints come in the process of development of roads and rail links.

Introduction to National Highway Authority (NHA)

Mission Statement

To ensure national integration through an efficient, reliable, safe and environment friendly national highway & motorway network for sustained economic growth and higher quality of life in Pakistan.

Tasks

To maintain and operate the national highway network in worthy and safe condition at optimum expense, ensuring user satisfaction

To deliver development program as per the Government's policy and priority with respect to time and cost

Functioning of NHA (1991 Act)

- The Authority shall be a corporate body having perpetual succession and a common seal with power to acquire, hold and dispose of property, and may by its name sue and be sued

- The Council shall have power to control, direct and regulate the affairs of the Authority
- The general direction and administration of the Authority and its affairs shall vest in the Executive Board which may exercise all powers, perform all functions and do all acts and things which may be exercised, performed or done by the Authority

Regional Connectivity Potential

China Pakistan Economic Corridor (CPEC)

Road, Rail, Fiber Optic Cables, Oil and Gas Pipeline



SAARC & ASEAN

Diversify its exports and look forward to multilateral trade with SAARC & ASEAN region.

Central Asian States

CAREC 10 countries supported by 6 multilateral agencies development accelerated economic growth and poverty reduction.

Economic Cooperation Organisation (ECO)

Intra-regional trade

Non-availability of secure connectivity

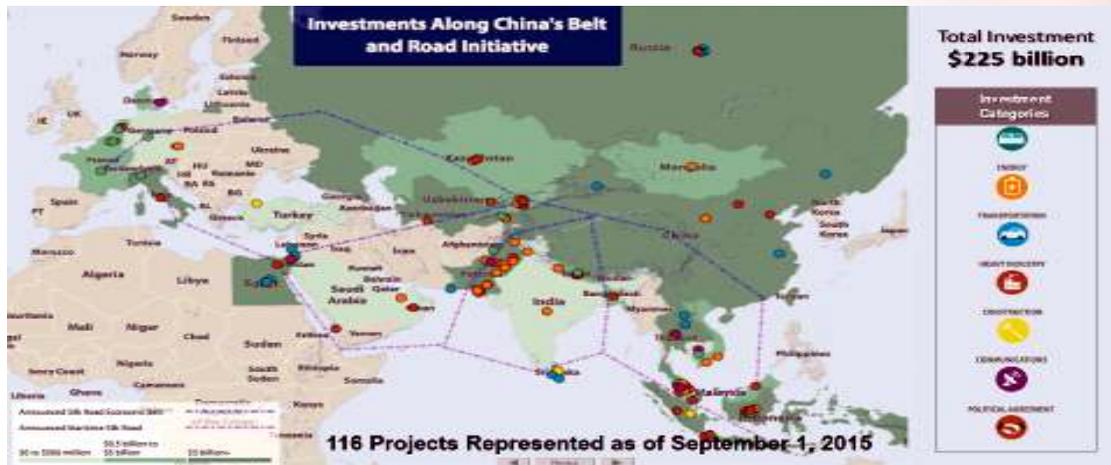
Scope of economic cooperation to be broadened in the medium term

Background of CPEC

China's Go West Strategy

- Milestone in nation's economic development
- Aiming to boost poorer western parts of the country
- \$225 billion investment in major infrastructure projects
- As an extension of "Go-West" policy
- Pakistan's proximity with Xiangiang Province and a transport corridor through Pakistan: a logical course.
- CPEC: An economical and shortest route to Middle East, Africa and also rest of the world

An overview of Investment Portfolio



Graphical Representation of Proposed CPEC Links



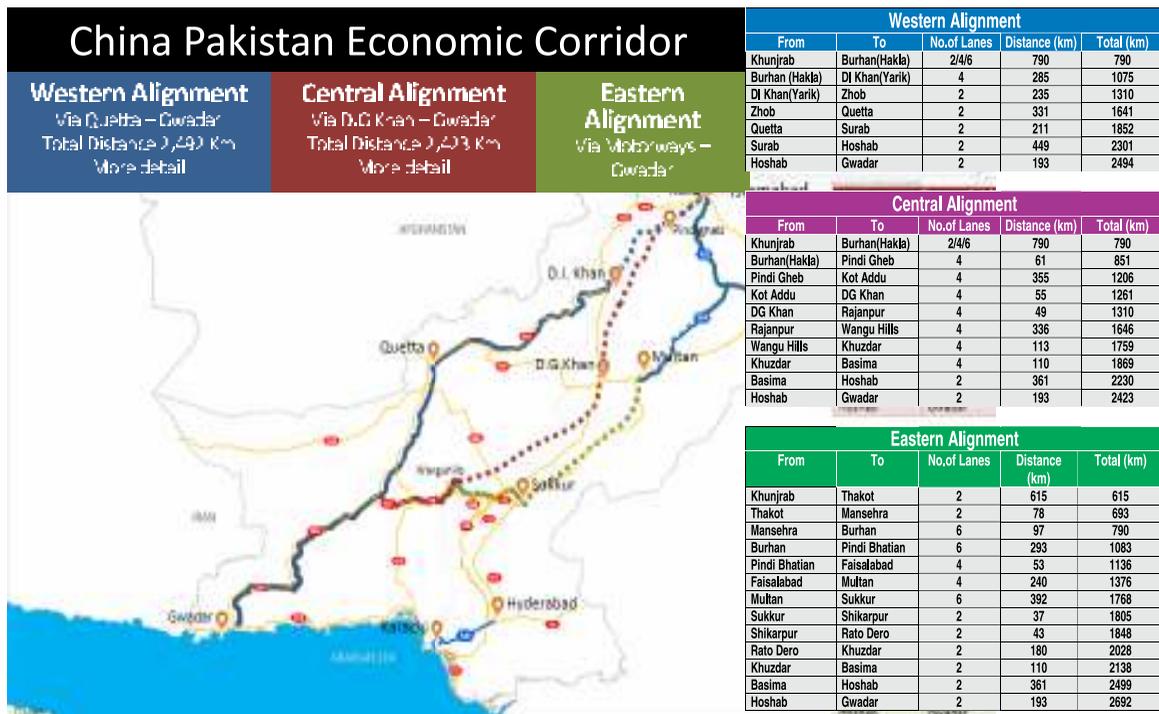
CPEC Introduction

- Linking of Gwadar Port to China's northwestern region of Xinjiang through highways, railways, oil and gas pipelines and an optical fiber link
- Major Physical Infrastructure: 2,700-kilometre highway
- Railways links for freight trains between Gwadar and Khunjab
- Revival and extension of the Karakorum Highway linking Xinjiang with Pakistan
- Envisages several economic zones along the corridor
- Compliments the objectives of Central Asia Regional Economic Cooperation (CAREC) by enhancing trade and economic cooperation between the regional countries



Detail of Ongoing Projects of CPEC

DETAILS OF ONGOING PROJECTS OF CPEC				
Sr. No.	Name	Cost of Project	Start Date	Completion Date
Highways and Motorways				
1	Karakorum Highway (Phase-II) Thakot to Havelian (118 km) Havelian to Burhan (59 km)	Thakot-Havelian Rs.141.88 billion Havelian to Burhan Rs.34.165 billion	- May 2016 March 2015	- May 2018 June 2017
2	Peshawar-Karachi Motorway (Multan-Sukkur Section) - (392 km)	Rs.246 billion plus land acquisition cost of Rs.61 billion	March 2016	December 2017
Railways				
3	Rehabilitation and upgradation of Karachi-Lahore-Peshawar (ML-1) Railway Track (1736 km)	US \$3,650 million	July 2015	December 2017
4	Construction of Havelian Dray Port including cargo handling facilities	US \$.40 million	July 2015	December 2017
Gwadar Port				
5	Construction of East Bay Expressway (18,9 km)	Rs.11-12 billion	August 2014	September
6	Construction of Breakwaters	Rs.13 billion	October 2015	April 2016
7	Dredging of Birth Areas & Channels	Rs. 2.8 billion	October 2015	January 2016
8	Infrastructure Development for EPZA and GIEDA	Rs.3.45 billion	October 2015	June 2017
Optical Fiber Cable				
9	China-Pakistan Optical Fiber Cable (OFC) Project	US \$.44 million	2014	2017



Constraints

Implementation of CPEC Projects of NHA

Physical

- Contractors
- Consultants
- Management
- Materials and Machinery
- NHA's restrictive institutional capacity

Financial

- Resource envelope
- Consistence

CPEC (NHA) – Requirements for Success

- Resolve
- Firm political support
- Arrangement of adequate financial resources
- Effective security arrangements
- Co-operation by all stakeholders
- Stability



CPEC – Potential Threats & Constraints

Internal / Political

- Inter-Provincial Harmony
- Political Instability
- Poverty and Corruption
- Economic & Financial Constraints
- Indigenous Capacity Constraints
- Legal Constraints

Security Challenges

- Terrorism & Non-State Elements
- Environmental Impact

CPEC – Potential Threats & Constraints

External

- Regional
- Global and Strategic

Internal Challenges

- Inter-Provincial Harmony
- Contentious issue of the Western route
- Equitable placing/locating of various components of the CPEC program
- Creating equal economic opportunities for the people
- Important aspects of cultural sensitivities and business interests of local communities
- Massive Chinese presence in the country



Internal Challenges

Political Instability

- Continuous political stability will remain an essential requirement for the successful completion of the program

Poverty and Corruption

- Terrorism ushered by poverty needs to be catered for in order to successfully materialize CPEC
- Balochistan's 45.68 percent population is living below the poverty line
- 52 percent of the region's people living in poverty
- Backward districts of Sindh and Balochistan may become safe havens for terrorists
- Feeling of deprivation in rural areas
- River planes: hide outs for criminal security operations
- Continuous political stability will remain an essential requirement for the successful completion of the program

Economic and Financial Constraints

- Government of Pakistan funded projects of CPEC (Lahore – Multan and Hakla – D.I. Khan Motorways) requiring about Rs. 280 billion over next two-three financial years.
- Natural calamities and financial crisis in the future may offset the financial capacity of the government.
- The Chinese government's continued financial commitment required for CPEC.
- Achieving a balance between financing of CPEC and other essential development projects of NHA.

Indigenous Capacity Constraints

- Massive road construction being undertaken under the CPEC program requires indigenous support
- Continuous support and encouragement to the local construction industry by the concerned departments required
- Supply of core construction material and its availability within the country needs to be monitored
- CPEC to be tapped as an opportunity for indigenous capacity building

Legal and Administrative Constraints

- Legal aspects of foreign investment and special economic zones in Pakistan may cause negative impact
- Foreign investment may face challenges, from insecurity, policy shift, legal systems, corruption, under-developed skills in labour market, and shortage of amenities like in electricity and gas

Security Related Constraints

- The prevalent environment of insecurity, militancy and terrorist activities
- Successful implementation of Special Security Division (SSD) by the Army to oversee all security related issues of the program
- For capacity of other Law Enforcement Agencies (LEAs) involved in the security arrangements respective Ministry/ Provincial governments' timely role



Non-State Elements both in China and Pakistan

- Kidnapping/murder of Chinese & Pakistani personnel
- Bombings of installations
- Acts of violence in major Pakistani cities
- The horrifying collective murder of 43 people belonging to the minority school of thought in Karachi
- The Uighur militants' links with the Taliban in FATA pose a major threat to Chinese interests in Pakistan

Environmental Impact

- Cutting of trees and crops
- More traffic leads to more environmental pollution
- Acquisition of rich fertile land in Punjab and Sindh province for construction

Overloading and Fatal Accidents Threats

- The present fleet of road transport vehicles is not sufficient to cope with the transport demand
- The present truck fleet composition in Pakistan does not meet the demand of long haul traffic
- As per international standards articulated trucks should be 50% of the truck fleet whereas in Pakistan, articulated trucks are only 12%
- Fierce competition amongst truck owners for loads, resulting in overloading to cover the transport expenses
- The unauthorized changes of technical specifications/size made in suspension system of vehicles

Regional

- Afghanistan
- India
- Iran

External Challenges

Global Strategic

- India, Iran, Afghanistan Nexus
- Russia
- USA



Recommendations

- China must acclimatize to the politico-economic, administrative structures and business cultures of partnering nations
- Accommodation with varying democratic and economic environments of South Asia
- Chinese diplomacy should keep the project sailing amidst intra-state tensions in the regions of its implementation
- Pakistan should launch diplomatic avenues for assuring the world that CPEC will benefit the entire region and result in a win-win situation for all
- Commitment and determination on part of both China and Pakistan needed
- Regional and global challenges should be incorporated while making plans for the proposed corridor to be able to thwart any security challenges in advance
- Establishing performance management
- Strengthening domestic market
- Establishing Knowledge and Culture Corridors
- Involving experts for catering to environmental threats
- Ensuring transparency
- Involving tribal leaders in the development process to ensure maximum cooperation
- Ensuring utmost inter-provincial and inter-departmental coordination to reap maximum output from the project
- Ensuring local community empowerment

Conclusion

The CPEC is a game changer project for both Pakistan and China. Because the economic activities will increase across the region and people will get more economic benefits, thus Gwadar Port and CPEC will change the fate of both China and Pakistan. However, potential threats and constraints need to be addressed effectively by all concerned.

COURSE SESSION – 8

Topic:	Pakistan's Policies & Governance Have Major Contribution to Make Balochistan Strong with CPEC (Project)
Resource Person:	Maj. Gen. (R) Dr. Zahir Shah
Date:	19 August, 2016
Day-Session:	5-1

Format and Methodology

The session started with discussion on exploring the opportunities through CPEC in overall context of the country and with specific reference to Balochistan. The role of Ministry of Planning, Development and Reform which is a focal ministry was also discussed with the engagements for this project and from Chinese side it was National Development and Reform Commission (NDRC).



Objective

Examining the potential benefits of CPEC with reference to Balochistan as it is an un-presidential huge project on the top for the town, for regional and international connectivity. A huge investment of 46 billion dollars what it means and what are other facets of it?

CPEC as an Exclusive Project

The relationship of Pakistan with China is exclusively strategic and political. Which basically is a transformation of new things from new heights, new dimensions and basically a strategic economic cooperation. It has started since a decade when people started discussion regarding relationship of Central Asian region. The actual project started in May 2013 on the visit of Prime Minister Mr. Nawaz Sharif to Beijing where he signed first MoU for implementation of long term plan of China-Pakistan Economic Corridor. The first decision was to formulate joint working groups for each sector for instance, for energy and transport infrastructure sector. Energy is administrated by Ministry of Water and Power and the counterpart from the Chinese side is National Energy Administration.

The transport infrastructure is component of roads, railways, air links and airport. It is basically a joint working group especially by Ministry of Communication and input comes from National Highways Authority, Ministry of Railways and Aviation. Similarly, Gwadar, which was a critical gateway, a heart of China-Pakistan corridor.

Mechanism of Working

Gwadar working group is steered by the Chief Secretary of Balochistan along with Ministry of



Planning because of the significance of its location. Planning is headed under the instructions of CPEC-Center of Excellence. These all working groups are active, hold meetings and give recommendations to another forum which is joint cooperation committee which is co-chaired by Minister of Planning and Reform and Vice-Chairman of

National Development and Reform Commission (NDRC).

What the CPEC is for China VS What the CPEC is for Pakistan?

What the CPEC is for China?

Chinese, want to link their Western region which is Chinjang region to the southern Pakistan. They want to have socio economic development, stability in the region and the overall economic development for China. The One Belt One Road and the 21st century maritime silk route which was the national strategy to engage with these. China, being the second largest economy, pays the highest level visits to other countries to make the links with the markets and provide access. With the investment of host country, we want to make road links with their financing to get the access to the market, their engagements, it connects with one belt for economic activity. It is a win-win situation for both countries. CPEC is in line with a national strategy for One Belt One Road and 21st century maritime route. According to Mr. Xi Jinping, President of China, CPEC is a flagship project of this initiative for connecting neighborhood to become a region.

It is changing of a status, for regional connectivity and for opening new systems of logistics that is envisioned from the Chinese aside.

What the CPEC is for Pakistan?

What we want from CPEC, from the policymakers' perspective, there are two key bottlenecks in the way of our development i) inadequate and expensive energy on which all the growth based, ii) fragile railway and highway networks which are very essential for mobilization of resources. Therefore, out of 46 billion dollars 35 billion dollars which constitute 75 percent have already been allocated to the energy.

Early harvest projects (2018), second is short-term projects (2020) and the long-term projects are (2030). The long term projects are railway projects, fiber optic network projects. The bulk was energy and these all projects are in IPP mode. The loan was not taken from the government of Pakistan, these were private companies who took the loan. So, there was financial and technical viability for business to business engagement. Though, the government has provided the guarantee, power purchase agreement has been done. That is the mechanism to deal with the bulk of the things as the government understands its financial capacity.

An Overview of Infrastructural Development

Energy

There are categories of projects for instance the bulk project is energy and we require 70,00040 MW and 10400 MW is priority projects which have all financing and the second category is actively promoted projects. The government wants to implement projects in three years' time. As the coal was included as an indigenous project, then we have Engro with the capacity of 1320 MW from Engro Thar block-1 and the same capacity from block-2. Coal projects for indigenous and imported coal were there with the capacity of 1320 MW from Port Qasim and Sahiwal respectively, and Gwadar has the capacity of 300 MW. The objective was to finish the load shedding with the generation of electricity through indigenous and coal projects. Solar (400 MW), Wind (200 MW), almost 6000 MW will be available in a few months' time. By 2019, 5000 MW will be available. All projects have their financial and technical viability and went through a course with the help of Ministry of Planning and Carlson Wagonlit Travel (CWT).

Transportation

Road Network

After a detailed monographic study a transport plan was agreed in the last Joint Coordination Committee (JCC) which was held in November 2015 in Karachi. The document in the Planning

Commission has a detailed plan of short-term, mid-term and long-term plan. In the early harvest projects, the plan is to improve road network which would be from north to south. The first section would be Karakoram Highway (KKH) with two phases, first, from Khunjerab to Raiport, and the second phase is from Raiport to Islamabad. There are generally three passages which is called Western, Eastern and Central package. The MoU signed was based on three guidelines i.e. i) scientific planning, ii) it should be done in phases, and iii) it should be done through the easiest way. Peshawar-Karachi Motorway is expected to be completed within the tenure of present government (PML-N). M1 (Peshawar - Islamabad), M2 (Islamabad-Lahore), M3 (Faisalabad-Pindi Bhatiyaan), M4 (Faisalabad-Multan) and now the work is in process to build M5 (Multan - Sukkur). So, this 392 km is already under early harvest projects category. Secondly from Sukkur to Hyderabad the project is being planned and Hyderabad to Karachi is already in the process.

It is the project of exclusive development to benefit all the regions of the country. Similarly, the passage which is called western package is on high priority. Because, according to the government the availability of facilities should be based on the demand of market. The western region has more traffic load, therefore, it is decided to complete the western region



first. Then the central passage comes from Burhan, to Mianwali and then to D. G. Khan that will be made on the long run as it has less traffic load.

Rail Network

China and Pakistan carried out a joint feasibility study and decided to build rail network between Peshawar to Lahore and then to Karachi. The planning process is in progress to decide on the single-track, dual-track or building fences as motorways. They are rehabilitating the safety and security procedures thereby installing central controlling systems which will be completed in short term.

The financing of these two highway projects are also under discussion whether should it be on commercial terms, GCL or innovative way of financing. There are 4 billion dollars, 10 percent will be the equity from Pakistan and 90 percent will be the loan. The first five periods will be the grace period and then on next ten years it will be paid. The Public Sector Development Programme

(PSDP) also reflects the approved projects and commitments to be fulfilled. These both highways projects went through technical, commercial feasibility and commitments and now they are on implementation point.

Air Links

There are four major projects, the one is Karakoram Highway, Multan-Sukkur Motorway which is a section of Karachi-Peshawar motorway and the small projects are Gwadar International Airport and Gwadar East-Bay. The airport with modern designs and terminals are also under discussion to check the feasibility of finances and other technical aspects. By the end of year 2016, the plan will be implemented. Gwadar East-Bay is another small project which is natural deep seaport integrated with coastal highway of 19 km which will be integrated with the system there. The financing consists of government loans, airport is on grant with entrance free financing of “0” interest.

Fiber Optic

Another project is fiber optic project which is basically fiber optic link from Khunjerab to Islamabad. The network telecom, internet, satellite will come from Gwadar to Lahore, Islamabad and Karachi. This is the basic component as infrastructure development is based on knowledge and technology. Special telecom agencies are setting points in Gilgit and other places to spread the network on CPEC. This network will enable European and other countries to develop connectivity to the region and will create more jobs as the point holds more spaces.

Digital Terrestrial Multimedia Broadcast (DTMB)⁴

DTMB has also been done in Murree. International heritage and broadcasting is looking for recommendations to implement the project successfully. They are basically exploring how the Chinese information system can be integrated to European information system.

The government is working on policies to make the investment of people secure for instance in energy. Similarly, there is more to be done as the transport policy still needs some changes and rail networks need a good thought to make process for reclaims of investments. Industry should also be developed to yield the benefits of energy and to maintain a balance between energy generation and its consumption. There are a lot of things that still needs efforts and integration.

⁴ DTMB (Digital Terrestrial Multimedia Broadcast) is the TV standard for mobile and fixed terminals used in the People's Republic of China, Hong Kong, and Macau.

The Gwadar can be seen under two aspects, the first is, Gwadar Port which comes under the Ministry of Port and Shipping and the second is Gwadar region and the city. The management consists of Gwadar Port Authority and Development Authority which looks after the land and the region. The 150 bed hospital is also under construction, and the vocational training institute will also be developed with special emphasis on fishing industry. Special Economic Zones are also developing to the industrial parks. Now the government has worked more on offering incentives and securing investors. Similarly, the finance bill also provides more concessions on taxes to ports and free zones.

The government is putting great efforts on policy but still there are certain issues. For instance, Gwadar is not connected to the national grid, there are three components of energy generation import and will be linked to the national grid. Ministry of Planning, Development and Reform opposed coal due to the environmental concerns and had shifted the focus on LNG, as the pipeline and terminals will be available. LNG will be oil based and will be done on modular form, firstly the generation will be 100 MW which is the present demand then gradually will be increased.



Water dams and supply pipelines are also being installed but ultimately there should be deceleration plan because the demand is high and the water is seasonal. There is plan from Chinese side to hold a joint working committee to make a master plan for financing and to resolve the water and energy

issues. Basically, that is for creating an enabling environment for business and other development projects. Balochistan and Ministry of Planning, Development and Reforms are putting hard efforts. Master plan of Gwadar is done by Chinese side for the safe city programmes and other functions which will make the Gwadar Port safe. Industrial cooperation with China is also under discussion. Once the transport system is built, it will provide the supply chain infrastructure for the development of industry. You can see the beacons of economic growth as all the provinces have given recommendations for the 26 sites. Each of the provinces will be given priority, but the China's decisions will be preferred. As per China's perspective, manufactured commodities will support industry and then both countries will reap the benefits mutually. Special Economic Zones

will boost the economy. According to the study 200000 jobs will be created, according to ILO, 0.8 million jobs will be created in different sectors.

Special Economic Zone is a big component based on research, residential and commercial aspects which require research. Chinese are interested in cement, chemical and auto industry. Consultation is required from various stakeholders, ministries and chambers. Pakistan has rich mineral sites of copper, chromites, marbles in Balochistan which is a resource rich country and the Chinese want to have industries here. In future, urbanization is going to take place along with the coast and the coastal tourism is also a long term plan.

The core point is, Balochistan will get the maximum 46 percent of the road network lies on the Balochistan and 44 percent is a railway network. A significant length of infrastructure is going to be developed in Balochistan with the new urbanized centers and industry. It is a business-to-business engagement, which is based on



joint cooperation with exploring the applicability of projects with all its implications. Balochistan is an open space for the bulk of farmers, industry and for the development of tourism to make it a safe city. Synergy of state and ministries is required for building professional human and financial capacity to yield maximum benefits from it. The 2030 will be a different world - a world of connectivity and economic integration. Economic sense prevails in Pakistan because of CPEC. Pakistan will have a great connectivity with Afghanistan and India. CPEC has a strategic orientation for transformation of things and for creating economic activity in all over the world.

Recommendations

- Input for academia is required to work on transport polices and making industrial zones as the more supply chain is required for industry to enhance exports
- Experts are required to deal with technical issues of construction, quality control and other technical aspects. Projects management trainings is required to build the capacity
- There is a need to develop a communication strategy for CPEC to engage academia, technical experts, pressure groups and policymakers



CPEC COURSE PARTICIPANTS AND EDI STAFF GROUP PHOTOGRAPH



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Brig. Muhammad Farhan Yousaf
Mr. Saqib Ali Rana
Mr. Muhammad Rashid Pervaiz
Mr. Sarfraz Ahmad Warraich
Mr. Jahanzeb Waheed
Mr. Jamal Yousaf
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EVALUATION REPORT OF 13TH EXECUTIVE PROGRAM

STRATEGIC DIMENSIONS OF CHINA PAKISTAN ECONOMIC CORRIDOR (CPEC)

15-19 August, 2016

Report of the Evaluation Form of the EDI Course 15-19 August, 2016				
Inquiry	Response Category	Percentage		
1. Do you think this course was useful for you?	Somewhat Useful	6		
	Quite Useful	24		
	Very Useful	70		
2. Was attending this training worth your time?	Moderate	6		
	Quite Useful	46		
	Very Useful	48		
3. Approximately how much information you can apply at your work place?	Moderate	41		
	Greater Extent	41		
	Comprehensively	18		
4. In your opinion, will CPEC bring more Opportunities or Threats?	Opportunities	100		
	Threats	0		
5. Does the course address the potential prospects and Challenges?	Moderate	29		
	Greater Extent	59		
	Comprehensively	12		
6. Please rate the course content on the following. (Place tick mark in appropriate space.)	Good (%)	Very Good (%)	Excellent (%)	
	In line with objective	18	59	18
	Suitable to my level of experience	23	59	18
	Up-to-date and forward-looking	23	59	18
	Consistent with description	23	59	18
	Understandable	No response	65	24
	Included sufficient examples	24	71	No response
	Overall rating of workshop content	12	59	24
	7. Who would you recommend as a guest speaker again?	Response Category	Percentage	
Mr. Zafar Mahmood		5	24	
Prof. Dr. Moonis Ahmar		6	6	
Dr. Ashfaq Hassan Khan		1	71	
Raja Nowsherwan		2	59	
Dr. Hasan Askari Rizvi		2	59	
Dr. Safdar A. Sohail		4	42	
Maj. Gen. (R) Dr. Zahir Shah		3	48	
8. Please rate the course on the following items:		Good	Very Good	Excellent
		Organization	No response	42
	Pace of delivery	6	53	36
	Audio Visual	12	30	53
9. Please rate the course on the following items:	Good	Very Good	Excellent	
	a. Use of Instructional aid	36	41	23
	b. Creating interest in topic	6	70	24
	c. Involvement of participants	6	30	64
	d. Reading Material	30	53	12
10. Who was the best speaker in your opinion? Rank the order	Ranking	Percentage		
	Raja Nowsherwan Sultan	1	36	
	Dr. Ashfaq Hassan Khan	1	36	
	Dr. Hasan Askari Rizvi	3	24	
	Maj. Gen. (R) Dr. Zahir Shah	4	18	
	Dr. Safdar A. Sohail	5	12	

Mr. Zafar Mahmood	6	6	
11. Rank order the topics in terms of importance	Ranking		
a. CPEC: Challenges & Opportunities:	7		
b. Geo Strategic Compulsions Provide More Opportunities than Threats:	5		
c. CPEC: Would Provide Strong Economic Impact on GDP Growth of Pakistan?	6		
d. Potential Threats & Constraints in Networking of Roads & Railways Link as Planned	1		
e. How Far Pakistan Would Only Shift From One Dependency (USA) to Another (Chinese)?	4		
f. CPEC and OBOR: Pakistan Perspectives in the Context of CPEC Long Term Plan:	3		
g. Pakistan's Policies & Governance have major Contribution to Make Balochistan Strong with CPEC (Project)	2		
12. How would you rate the following?	Good	Very Good	Excellent
a. Snacks at break	24	42	30
b. Meals	No response	42	53
c. Lodging	18	12	18
d. Parking	6	24	59
e. Service	12	24	65
13. Should this kind of course needs to be organized again?	Response Category	Percentage	
	Agree	24	
	Strongly Agree	76	
14. Would you recommend this course to others?	Yes	100	
	No	0	
15. How would you rate the course over all?	Good	11	
	Very Good	59	
	Excellent	30	

16. Any Suggestion for Improvement

- More participation is requested from the non-government sector. A session or discussion between participants from both countries should be held, since the course was country specific.
- The NSPP picked up participants wisely-but private sector participants were very mediocre in terms of participation. This needs improvement.
- Scope and threat line need to be shared objectively. Any lesson missed out may be re-scheduled.
- I think the security stability internal or external needs more deliberations as both countries are facing it and without stable security, country does not flow upward. We must add a session on security.
- Must call a security expert for assessment of potential threats.
- Must include participation of Chinese Embassy/CG.
- Guidance to speakers to avoid repetition.
- Order of presentation should be managed to avoid unnecessary question.
- A participant from strategic aspect, management and technical aspect may be added more emphasis.
- There should be balance especially participants from various sector which are stakeholders. There must be pre sharing of material to be presented by speakers. The order of speakers with respect to speaker reward careful examination as it was missing in this course. Private and public sector guest speakers must have balance especially those topics which have to untimely land to private sector like CPEC.
- a. Stakeholders from provinces may also be called for lectures.
- b. The course may be organized for two weeks.
- Head of the steering organizations, P&D Division, Government spokespersons may also be invited.
- Concerned ministers should also be called as guest speakers.
- Other courses at strategic and operational level should be conducted.

- The NSPP should ask other departments to send preferably those officials who have more to contribute in CPEC.
- It would be more appropriate if policy documents officially may also be shared during the course.
- Presentation of Dr. Safdar A. Sohail and Maj. Gen. (R) Dr. Zahir Shah should have been first learned to set up the theme of the topics then others should have added their input.
- More wider participation of more relevant ministries i.e. bureaucrats represents Ministry of Ports & Shipping, Interior Ministry etc.
- More speakers from Planning Commission as well as more mental domain experts e.g. (A speaker to cover/analyze development of maritime sector (Gwadar) vis-a-vis global trends, any ex-Chairmen WAPDA- to analyze the releasing of power projects.
- More detailed financial assessments of viability and or its optimum utility need to be harnessed in the curriculum.



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