



CPEC: Transforming Pakistan's economy

Pakistan is entering into a new phase of economic development. China is a rising economic power and is a neighbour of Pakistan. Pakistan could easily benefit from China's US\$ 11 trillion economy and world's largest in Purchasing Power Parity (PPP). The current Chinese model is the result of its surplus wealth. The two countries enjoy cordial relations in all fields since the 1950s. An opportunity is just knocking at Pakistan's door, where this is a game-changer and will reap benefits.

China knows that Pakistan does not have a good economic record after 1970s onward. It has remained as a security-driven State facing Afghanistan on the one end and India on the other end. Above all, Pakistan vigorously wrestled with its desire to become a nuclear power to equate India. It never opposed Chinese communism.

During this period China has risen on the global economic geography after it introduced reforms in the Deng Xiaoping era. China got interested in Gwadar by the dawn of this century. Gwadar will also transform the economy of China. It has over US\$ 5 trillion sea-borne trade passes through the South China Sea where the Straits of Malacca is a choke point. In future, much of China's sea-borne trade would go through Gwadar Port via land access into western China.

This introduces a new dimension in China's global trade. Pakistan would become a Suez Canal for China's trade in the Middle East, providing it an alternative access as a friendly state to address its future vulnerability in the South China Sea.

In return, the economy of Pakistan would be transform from US\$ 237 billion to much larger economy. The World Bank's latest report sees positive growth of Pakistan's economy under the CPEC investment. President Xi Jinping considers Pakistan as an important partner of the Belt

and Road project. Pakistani Government is sincerely committed to the CPEC and making adequate measures to implement CPEC's projects.

Industrial zones will be set up. New universities will be built focusing on Chinese language and culture and the revival of the ancient Silk Road on modern lines. The universities will be part of the knowledge corridor. Agriculture would be modernize specially on Chinese technology of agro-chemicals, pesticides, seeds, fertilisers, and research would be provided to farmers in Pakistan as disclosed at an expo held in Lahore recently. Chinese agri-technology and cooperative forming would revolutionize Pakistani agricultural production on Chinese pattern.

This would be having positive impact on Pakistan's trade with China, which is accumulates US\$ 5 billion deficit at present. In spite of unique diplomatic and political friendship, Pakistan's trade with China had remained in doldrums from 1950s to 2007.

When both countries signed trade agreement in 1963, bilateral trade stood only US\$ 29 million. Bilateral had trade increased to US\$ 400 million in 1980. At the time they inked Free Trade Agreement (FTA) in 2007, trade was recorded US\$ 7.5 billion. It is doubled now. The FTA is now in the second phase, which will remove duties up to 90 percent.

Shortage of electricity in Pakistan and lack of homework to boost exports to China under the FTA resulted in drawbacks. The CPEC will give an unprecedented boost to their bilateral trade as industrial and agricultural productions would be generated inside Pakistan in 29 industrial parks and 21 processing zones all over the country during the first phase of the projects.

In future, Pakistan will be fully loaded with industrial parks and processing zones. The backward and remote areas will receive a large chunk of these zones in the second phase. Pakistan exports in the current fiscal year are around US\$ 17 billion. The CPEC would be an opportunity to increase Pakistan's exports.

The CPEC has indirect strategic implications as new centres of economic cooperation would emerge. The CPEC has direct bearings on the economy of Pakistan and China. Chinese Government has made CPEC part of its current Five-Years Plan and many early harvest projects will be completed by 2018-2020, which will give a new boost to CPEC projects to be undertaken in the second phase up to 2030.

The Turkmenistan-Afghanistan-Pakistan-India (TAPI) gas pipeline was kicked-off in December and CASA-1000 in May. The Iran-Pakistan (IP) is underway. China has committed US\$ 2.5 billion to Pakistan complete the IP project as sanctions were removed on Iran. All these

three energy grids are powerful addition to energy projects under the CPEC as it gives a new energy shape to Pakistan as regional energy grid provider between Central Asia and South Asia. Afghanistan being a part and parcel of these agreements guarantees sustainability of these agreements. In this context, the CPEC has been achieving its desired results and moving fast.

