بسم الله الرحمن الرحيم
ROLE OF CHINA IN THE ECONOMIC DEVELOPMENT OF DEVELOPING COUNTRIES
A CASE STUDY OF CHINA PAKISTAN ECONOMIC CORRIDOR –CPEC

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China Foreign Policy and its implications

- Based on **peaceful development, harmony, inclusiveness** and creating win-win cooperation at global level
  - All countries big and small, strong and weak, rich and poor are equal.
  - All countries, developed and developing should take the path of **peaceful development**.
  - Countries should solve their differences through peaceful means, **live in harmony and strive for common development**.
  - To get one’s development, it is essential that others get to development too. To ensure one’s safety, **it is important that others feel safe as well**.
  - When one becomes well off, it should let **others become well off together**.
Harmony and inclusiveness policy of China

- Enduring peace and common prosperity.
- Peace and Cooperation brings harmony.
- All countries should uphold the purposes and principles of UN charter.
- Abide by International Laws and Universally recognized norms governing international relations.
- Embrace a spirit of Democracy, harmony collaboration and Win-Win Progress in international relations.
Chinese Reforms-1979 onwards

- The Chinese policy of Reforms and Openness started in 1978 which passed through the following stages
China’s Transformation, and Economic Restructuring of 2014 and onwards:

- President Xi Jinping - the new Normal of economic development
- Three major and large scale regional development strategies.
- Strengthening the road network with the rest of world,
  - Yangtze River Economic Belt
  - Silk Road Economic Belt and
  - 21st Century Maritime Silk Road
  (‘One Belt and One Road’ Philosophy of President Xi).
Three corridors planned to pass through northern, central and southern Xinjiang

Sources: Xinjiang Regional Development and Reform Commission; China Daily
CPEC- Principal Strategic Component

- 21st Century Mari-time Silk-road:
- An Infrastructure Development Strategy; stretching from Asia to Europe.
- 60 Countries 900 deals underway
- Asian Infrastructure Investment Bank - 100 Billion $
Role of Chinese Foreign Direct Investment (FDI) in the economic development of Pakistan

- Reached to a significant level of $1.37 billion in 2010, accounting for 14% of the total FDI,
- The trade volume between China and Pakistan has increased from $1 billion in 1998 to $15.15 billion in 2015 with potentials of further improvements (Vandwalle, 2015).
- Pakistan would need to focus on the following four things:
  - Strengthening of Trade and Commerce relations with China.
  - Investment in the exploration of mineral resources like copper, coal, iron ores etc.
  - The stability in Pakistan is essential for the success of FDI by China.
  - With increase of labor and production cost in China, it can shift some of the manufacturing facilities to Pakistan.
Economic Corridor
Roads, Rails, Ports, Energy, Special Economic Zones

-Khunjrab – Gwadar Highway (2400 Km)
-Karachi-Lahore Motorway (1060 Km)

AFGHANISTAN

IRAN

INDIA

ARABIAN SEA

Boundary
- Main Cities
- Towns
- Rivers

Existing
- Motorways
- Highways

Proposed Projects
- PCEC
- LKM
- MMM
Friendship between China and Pakistan is based on trust and mutual support, and we have been devoted friends through both good and hard times. Our friendship is a pacesetter for amicable relations……..

Mr. Xi Jinping
President of China
Major Components of CPEC

**Energy generation projects:**
- About $35 billion will be invested in the energy generation projects including,
- Mix of hydel, solar, wind and thermal energy sources 16400 MW
- The success of the CPEC would depend on the smooth and economic supply of electricity.
- In first phase, about 10,000 MW of electricity will be generated in 3-4 years

**Up-gradation and strengthening of existing road and telecommunication infrastructure:**
- This component will cost about $11 billion to improve and strengthen the transportation and communication network between China and Pakistan. Work of some of the reaches of the projects, has already been started.
**Up gradation and Strengthening of Gawadar Port:**

- The port has already been leased out to China for 40 years.
- The connection of Gwadar port with the road networks and China, would reduce the distance between China and Middle East and Europe by about 4500 nautical miles.
- Gwadar is very closely located to International Sea Line Of Communications (SLOCs).
- Being a deep sea port protected from disasters.
- It can be used for show-casing and storage of sea resources, shipment, trans-shipment, and manufacturing conveniences for regional and extra-regional key players, as well as for UAE, Gulf States and European nations.

**Relocation of Chinese Industries close to Gwadar for location advantage:**
# China-Pakistan Economic Corridor

## Spending on projects

<table>
<thead>
<tr>
<th>SECTOR</th>
<th>EST. COST, IN BILLIONS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Energy</td>
<td>$33.79</td>
</tr>
<tr>
<td>Road</td>
<td>5.90</td>
</tr>
<tr>
<td>Rail</td>
<td>3.69</td>
</tr>
<tr>
<td>Mass transit in Lahore</td>
<td>1.60</td>
</tr>
<tr>
<td>Gwadar Port</td>
<td>0.66</td>
</tr>
<tr>
<td>China-Pakistan fiber optics</td>
<td>0.04</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>45.69</strong>*</td>
</tr>
</tbody>
</table>
Mitigating Energy Constraints...

- Removing Transmission and Distribution Constraints
- Cost minimisation – Improving Cash Flows
- Generation optimization
- Investment Facilitation

Sector Strategy

Improving Fuel Mix

Current Fuel Mix:
- Oil: 38%
- Hydel: 31%
- Gas: 22%
- LNG: 4%
- Other: 1%
- Nuclear: 3%

FutureFuel Mix 2019-20:
- Wind: 4%
- Coal Imported: 20%
- Solar: 2%
- Hydel: 26%
- LNG: 14%
- Oil: 12%
- Gas: 12%
- Coal Local: 4%

Fuel Mix 2019-20
CPEC project in KPK (8 projects)

- Joint Feasibility Study for Upgradation of ML1
- Establishment of Havelian Dry Port
- KKH II (Havelian-Thakot)
- Upgradation of ML-1
- KKH III (Raikot-Thakot)
- D.I.Khan-Quetta Highway (N-50)
- Suki Kinari Hydropower Project
- Optical Fiber Cable from Rawapindi to Khunjrab
CPEC projects in Sind (13 Projects)

- Matiari-Lahore Transmission Line
- Matiari-Faisalabad Transmission Line
- Port Qasim Power Plant
- Engro Thar Power Plant & Surface Mine in Block II of Thar Coal Field
- Dawood Wind Farm
- Jhimpir Wind Farm
- Sachal Wind Farm
- China-Sunec Wind Farm
- Upgradation of ML-1
- Thar Coal Block I & Mine Mouth Power Plant
- Gwadar-Nawabshah LNG Terminal & Pipeline
- Karachi-Lahore Motorway (Sukkur-Multan)
- Joint Feasibility Study for Upgradation of ML1
CPEC Projects in Punjab (13 projects)

- Optical Fiber Cable from Rawapindi to Khunjrab
- Haier & Ruba Economic Zone II
- Karachi-Lahore Motorway (Sukkur-Multan)
- Joint Feasibility Study for Upgradation of ML1
- Upgradation of ML-1
- Sahiwal Coal-Fired Power Plant
- Rahimyar Khan Coal Power Plant
- Karot Hydro-Power Plant
- Lahore Orange Line Metro Train
- Matiari-Lahore Transmission Line
- Matiari-Faisalabad Transmission Line
- Quaid-e-Azam Solar Park in Bahawalpur
CPEC Projects in Baluchistan-16

- D.I.Khan-Quetta Highway (N-50)
- Hubco Coal Power Plant
- Gwadar Power Plant
- Gwadar-Nawabshah LNG Terminal and Pipeline
- Gwadar Eastbay Expressway
- Gwadar New International Airport
- Gwadar Smart Port City Master Plan
- Expansion of Multi-purpose Terminal including Breakwater & Dredging
- Wastewater Treatment Plants for Gwadar City
- Gwadar Primary School
- Gwadar Hospital Upgradation
- Gwadar Technical & Vocational College
- Gwadar Eastbay Expressway II
- Fresh Water Supply
- Gwadar Free Zone
Western China to Eastern Europe
Time Saved --- 26 to 11

Pak-China Economic Corridor

1. Highways & Motorways
   Gwadar – Kunjrab
   Total Length: 2,688 km

- KKH (335 Km)
- KKH (437 Km)
- M-2 (250 Km)
- M-3 (53 Km)
- M-4 (241 Km)
- KLM (387 Km)
- N-65 (100 Km)
- N-85 (835 Km)
- KLM (296 Km)
- KLM (136 Km)
Attached Figure 2: CPEC Transportation Planning

-Railway Construction Program-

- Havelian-Kashi New Railway, 1,059 km long
- Construction of new line from Peshawar to Torkham
- Havelian Dry Port: US $40 million investment
- Reconstruction of ML1 Existing Railway including locomotive purchase, overhaul of track, signal upgrading; electrification, construction of double line, communication upgrading and speeding up the extending of arrival-departure lines and construction of Karachi-Kotri Double Freight Line
- Reconstruction of Existing Line ML2 Short and long term: water hazard treatment, overhaul of track, signal upgrading and speeding up, extension of arrival-departure track and electrification.
- New Railway Line from Quetta (Bostan) to Kotla Jam on ML-2 via Zhob & D.I.Khan (560 Km)
- Reconstruction/Upgradation of Quetta-Taftan existing railway, 633 km long
- Gwadar to Jacobabad and Quetta (Masiung) via Besama New Railway line, 1,328 km long, US $4.5 billion investment
- 1,600 km long Karachi-Peshawar PDL (High Speed Railway Line)

Legend:

- Existing Railway
- Capacity expansion project in short term
- New line in short term
- Capacity expansion project in middle and long term
- New construction project in middle and long term
- New construction project in far future
- PDL in far future

Alternative Scheme of Gwadar Port Passage
Gwadar Port City as the Asian Energy Hub for receipt, storage, processing and trans-shipment to S.E. Asia, Far East.
## Industrial Cooperation

<table>
<thead>
<tr>
<th>Province/Federating Unit</th>
<th>Location for Industrial Zone</th>
</tr>
</thead>
<tbody>
<tr>
<td>KPK</td>
<td>Rashakai Economic Zone : Hattar Phase VII Industrial Zone</td>
</tr>
<tr>
<td>Sindh</td>
<td>Dhabeji : Keti Bunder</td>
</tr>
<tr>
<td>Balochistan</td>
<td>Bostan Industrial Zone : Khuzdar Industrial Zone</td>
</tr>
<tr>
<td>Punjab</td>
<td>M-2 Sheikhupura : M-3 Faisalabad</td>
</tr>
<tr>
<td>North Area</td>
<td>Moqpondass, Gilgit SEZ , Bhimber Zone or Barakot SEZ</td>
</tr>
<tr>
<td>Federal Area</td>
<td>ICT Model Industrial Zone, Islamabad &amp; PSM-Port Qasim</td>
</tr>
<tr>
<td>FATA</td>
<td>Mohmand Marble City</td>
</tr>
</tbody>
</table>
Free Zone - Incentives

- Long Term Lease for the investor
- 99 years Lease for Sub-lease / Investors
- 20 years complete tax holiday from all Federal, Provincial & Local taxes
- Exemption from import duties on materials and equipment.*
- Exemption from import / export duties on bunker oils.**
- Complete suspension of trade union activities.
Business Opportunities

- Packaging Businesses
- Distribution Centers
- Container Freight Stations / Yards
- Warehousing & Cold Chains
- Manufacturing / Oil Refineries
- Tourism / Old Age Care Institutions
# Employment Projection

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</tr>
</thead>
<tbody>
<tr>
<td>Total population (Million)</td>
<td>184.35</td>
<td>188.02</td>
<td>191.71</td>
<td>195.41</td>
<td>199.10</td>
</tr>
<tr>
<td>Labour force (Million)</td>
<td>60.35</td>
<td>61.84</td>
<td>63.36</td>
<td>64.92</td>
<td>66.52</td>
</tr>
<tr>
<td>Employed (Million)</td>
<td>56.58</td>
<td>57.73</td>
<td>59.11</td>
<td>60.71</td>
<td>62.55</td>
</tr>
<tr>
<td>Employment Growth w.r.t Elasticity (0.46)</td>
<td>1.89</td>
<td>2.02</td>
<td>2.39</td>
<td>2.71</td>
<td>3.04</td>
</tr>
<tr>
<td>Unemployed (Million)</td>
<td>3.77</td>
<td>4.44</td>
<td>4.93</td>
<td>5.25</td>
<td>5.39</td>
</tr>
<tr>
<td>Unemployment rate</td>
<td>6.25</td>
<td>7.14</td>
<td>7.69</td>
<td>7.95</td>
<td>7.93</td>
</tr>
</tbody>
</table>
Development Targets

1\textsuperscript{st} Target (2020) : Period of market \textit{cultivation}. To develop commercial logistics and other industries with local resources.

2\textsuperscript{nd} Target (2025) : Period of expansion and \textit{development}. Processing and manufacturing industries will be developed.

3\textsuperscript{rd} Target (2030) : Period of \textit{Maturity}. Enlarge the scale and scope of Free Zone.
China has invested $14 billion in 30 early-harvest projects in phase-1, which are to be completed under CPEC, a flagship project of the One Belt One Road initiative launched by Chinese President Xi Jinping. Chinese Embassy Deputy Chief of Mission Zhao Lijian said that out of 30 projects, 16 are under construction.
Global Challenges in Implementation of CPEC projects

- Stability in the region and protection to the Chinese human resources.
- Peace and Stability in Afghanistan
- Indian Government's Attitude toward CPEC
- Super Power’s Tussle (The New Great Game)
- Areas of Activity of Islamic radicals
- Language as the Hurdle
- Absence of Formal Banking Channels
- Cultural Limitations
- Absence of Proper Business Channel
CPEC-Success and Way forward

- Developing Political Consensus-Achieved to greater extent
- Role of Media in the success of the CPEC projects
- Route Prioritization by the Government
- Capacity building of the workers, semi-skilled and skilled labor force:
  - Role of Engineering Institutions in the training and development of Engineers
  - Engagement with Federal Chamber of Commerce and Industries of Pakistan and China
  - Following the Higher Education Engineering Institutes for CPEC based curriculum and, Chinese language trainings
  - Role of Pakistan Armed Force in the successful implementation of CPEC projects:
China Pakistan Economic Corridor (CPEC) ALL projects. A game changer for Pakistan.
Thanks