

China-Pak Economic Corridor (CPEC)

Pakistan and China enjoy friendly relations which continue to strengthen with time. China – Pakistan’s ties are reaching new heights as the two sides work together to implement the China Pakistan Economic Corridor (CPEC).

Regional Connectivity

CPEC is part of China’s One Belt One Road (OBOR) initiative which aims to bring the region together through enhanced connectivity. With initiation in 2013, CPEC has expanded to encompass cooperation in a large number of sectors under its short to long term plans.

Pakistan’s geostrategic location would pay real dividends allowing regional countries access to warm waters through shortest land routes. The benefits, therefore, would not just be limited to the two partnering countries but to the region as a whole. The Project would serve to bring the peoples together, promote new economic relationships and usher in an era of peace and prosperity to this part of the world.

Projects under CPEC

Projects under the CPEC portfolio are broadly categorized into ‘Early Harvest’ projects with completion by 2018, Short and Medium Term projects, which are aimed for completion by 2020 and 2025 respectively. The two sides also aim to take the initiative forward under the CPEC Long Term Plan. The sectors of cooperation include but are not limited to the energy sector, infrastructure development in the area of rail and road network, development of Gwadar as a modern port city, establishment of

industrial parks and improving IT connectivity through optical fiber.

A brief description of the cooperation under CPEC is given below:

Cooperation in the Energy Sector

Pakistan expects to overcome its energy shortage by 2018. The Government, fully conscious of its responsibility, has its prime focus on alleviating these shortages. As a policy decision, the Government has been providing uninterrupted energy supply to the industrial sector in order to maintain economic momentum of the country.

Under CPEC, the two sides have agreed to a financial outlay of US\$ 34.74 billion for the energy sector projects. A total of 17,045 MW will be added to the system with 10,000 MW expected in 2018. This will give great impetus to the economic and business activity in the country with resultant gains in exports, improved competitiveness and job creation. With the shift of energy mix from oil to coal, significant relief is also expected to be passed on to domestic as well as commercial consumers.

The following 12 projects with a total cost of US\$ 15,377 million are under implementation through IPP mode:

- 2×660 MW Port Qasim Coal Power Project
- 2×330 MW Engro Powergen Thar Project
- 1,124 MW Kohala Hydropower Plant Project

- 720 MW Karot Hydropower Project
- 870 MW Suki Kinari Hydropower Project
- 1,320 MW Sahiwal Coal Power Project
- 1,320 MW HUBCO Coal Power Project
- 1,320 MW Thar Coal Block-I (Shinghai) Project
- 300 MW Quaid-i-Azam Solar Project
- 50 MW Sachal Wind Power Project
- 50 MW Hydro-China Dawood Wind Power Project
- 99 MW UEP Wind Power Jhimpir Project

Cooperation in Infrastructure Development

Infrastructure plays a key role in connecting regions, supporting industrialization, easier and faster access to markets and improved competitiveness. CPEC gives due importance to the development of a vast network of rail and roads in Pakistan besides other areas as briefly mentioned below.

Road Infrastructure

The existing road infrastructure of the country is being enhanced under CPEC through upgradation of existing roads and construction of new ones. There is fast track implementation on all sections of the eastern as well as western routes, with major work ongoing on the following:

- Khuzdar-Basima Road N-30, 110 km
- DI Khan-Zhob Road N-50 Phase-I, 210 km
- KKH Phase-II Thakot-Raikot Section, 136 km
- Havelian-Thakot Section of KKH, 120 km
- Section of KKH Phase-II, 118 km
- Sukkur Multan Section, 392 km

Upgradation of Railway and Mass Transit Projects

Complementing the fast paced improvements in the road network, Pakistan and China have agreed to upgrade the Main Line-1. The

estimated cost is around US\$8,200 million and includes development of a dry port at Havelian to harbor cargo in an efficient and timely manner. In order to provide state of the art transport facilities, the two sides have also agreed to work together on mass transit projects in the four provincial capitals namely Karachi, Lahore, Peshawar and Quetta.

Provincial Infrastructure Projects under CPEC

The fruits of CPEC are spread equitably across Pakistan. All provinces have identified their priority projects and the two sides have initiated collaboration on a number of projects, to name a few, development of Ketu Bunder Sea Port, Naukundi-Mashkel-Panjgur Road, Quetta Water Supply Scheme, Chitral CPEC Link Road, Mirpur-Mansehra Road and iron ore mining project in Chiniot. These Projects are being managed by respective authorities/agencies and are at different stages of planning and implementation.

Gwadar Development

An important component of CPEC is the development of Gwadar as a modern port city. Located at the south western coast of Balochistan, Gwadar is ideally located to give access to sea routes of the Arabian Sea. Pakistan and China have agreed to develop the city on a fast track basis to complement the progress being made on rail and road infrastructure.

The city is being upgraded with development of Gwadar Sea Port, East Bay Expressway, New Gwadar International Airport, technical institutes and universities, water supply schemes, hospitals, free zones and industrial parks, world class product display center as well as a coal fired power plant. In times to come, Gwadar will serve as an important port city for the entire region.

Industrial Cooperation

In addition to improved connectivity and energy surplus, the development of Special Economic Zones (SEZs) across Pakistan is envisaged under CPEC. In the 6th Joint

Cooperation Committee (JCC) meeting held in December 2016, the two sides agreed to set up the following nine SEZs which will serve as centers of industrial activity:

- Rashakai Economic Zone, Khyber Pakhtunkhwa
- Dhabeji Economic Zone, Sindh
- Bostan Industrial Zone, Balochistan
- Punjab-China Economic Zone, Sheikhpura, Punjab
- ICT Model Industrial Zone, Islamabad
- Industrial Park at Pakistan Steel Mills, Sindh
- Bhimber Industrial Zone, AJ&K
- Mohmand Marble City, FATA
- Moqpondas Special Economic Zone, Gilgit Baltistan

CPEC Long Term Plan

To sustain the partnership for progress and take it to the next level, the two sides have drawn out a Long Term Plan to cooperate in the areas of agriculture, industry, trade, communication, water resource management, coastal tourism and development of financial linkages. Closer cooperation between Pakistan and China in the long run would ensure that benefits accrued under CPEC are carried forward to the coming generations.

Fiber Optic Connectivity

The two sides are aware that a parallel improvement in IT connectivity is essential to

the success of CPEC. Under CPEC, 820 km long line is planned to be developed. The cross border optical fiber cable project was established in October 2015 to connect it from Khunjerab onwards to Rawalpindi. The project, currently under implementation with work on 220 km completed, is expected to finish by 2017. The estimated cost of the project is US\$ 44 million. Other IT projects are also underway to achieve a higher standard of connectivity.

Impact of CPEC on Pakistan's Economy

CPEC is a long term partnership vision of the leadership of the two sides envisaging comprehensive socioeconomic development, peace and prosperity for the region. Research studies suggest that the initiative will substantively boost growth and job creation. It is also expected that CPEC will accelerate urbanization and attract local as well as foreign direct investment in the country through increased competitiveness. The relocation of Chinese industries will bring possible knowledge spillover and technological progress. It is expected to address the issue of poverty and bring hope and better living standards to people across the region.

In the short term, the trade deficit is expected to rise as a result of import of machinery and equipment. In the long run, however, it is expected that the current account balance would improve through import substitution and export expansion. The balance of payments position would also improve in the long run as projects under CPEC reach completion.