

*Report on SVI-Conference June 19, 2017*

---

**Belt and Road Initiative (BRI) and China-Pakistan Economic Corridor (CPEC)**

---



Compiled by: Asia Maqsood

Reviewed and Edited by: S. Sadia Kazmi



**STRATEGIC VISION INSTITUTE (SVI), ISLAMABAD**

---



SVI organized a conference on “Belt and Road Initiative (BRI) and CPEC” on June 19, 2017. Dr. Zafar Iqbal Cheema, President/Executive Director SVI in his introductory remarks, welcomed the Chief Guest Mr. Shoaib Ahmad Siddiqui, Secretary Federal Ministry for Planning, Development and Reform, profoundly thanked Mr. Zhao Lijian, Deputy Chief of Mission, Embassy of People’s Republic of China and all the distinguished speakers and audience. He announced the launch of China Study Center at Strategic Vision Institute with the objective of understanding the nature and relationship of People’s Republic of China with Pakistan; a dependable all weather friend. He said that being an academic organization, the purpose would be to go beyond and study various dimensions and roles of China not only in Pakistan and South Asia but beyond the regional settings in South Asia, West Asia and Central Asia. China has played a very positive role not only in the development and security of Pakistan but in the region at large. Looking at the Project of BRI in which the CPEC is the flag ship project, it is an unparalleled plan for regional connectivity and infrastructure development that has been launched by Chinese President Xi Jinping. He referred this as an important topic of the day that carries positive implications for development, infrastructure, industrialization, and for the regional connectivity. In this context the objective of China Study Center is to carry out an in-depth study of Sino-Pak relations and its various facets such as CPEC, security dimension, economic development, geo-economics, and politics of the region and beyond that. After his introductory remarks Dr. Cheema invited Mr. Lijian for his key note address.

Mr. Lijian congratulated Dr. Cheema on the opening up of China Study Center and appreciated his personal efforts in organizing a conference on “BRI and CPEC”. He said that it is the right time to enhance China studies in Pakistan. He further opined that the fast developing China has become a powerful engine for the world economy and an important force safeguarding the world peace and stability. China has become a focus of attention for the international community including Pakistan. Moreover China and Pakistan are now standing at a historic point for the future development. Their relations have entered a golden stage since Chinese President Xi Jinping paid a historic visit to Pakistan in 2015. Both sides agreed to lift their bilateral



relations to an all weather strategic cooperative partnership. China and Pakistan are jointly promoting the construction of CPEC and working together for China-Pakistan community of shared future. He further said that under this background the establishment of the SVI China Study Centre will have a strong realistic meaning for China-Pakistan relations and cooperation. It will help Pakistani friends better understand China and its relations with Pakistan and with the whole world.

He said that China's development is highly open and inclusive in nature. It is its reform policy and openness that has made China achieve such remarkable development. It can further be seen as a result of integrating China's economy with the world economy. China is willing to share its development opportunities with other countries while pursuing its own development. He quoted President Xi Jinping saying "China's development has benefited from the international community and we are ready to provide more public goods to the international community". One of the public goods is that China provided the initiative of building the Belt and Road Initiative BRI stands for peaceful cooperation, openness, inclusiveness, mutual learning, mutual benefit and win-win spirit. This is the great spirit of Silk Road. He opined that today we are building BRI under the principles of wide consultation, joint contribution and shared benefits so as to make this spirit shining again.

He said that the BRI has been widely welcomed by regional countries and the international community. One month ago, the Belt and Road Forum for International Cooperation was held successfully in Beijing. More than 1500 distinguished guests from 130 countries and 70 international organizations including 29 state heads or government leaders from all over the world gathered together and discussed cooperation on the Belt and Road construction under the theme of win-win cooperation. PM Nawaz Sharif and senior ministers of Pakistan also attended the BR Forum in Beijing and contributed significantly to its success. As a matter of pride to China, CPEC has been highlighted as the flagship project of the Belt and Road Initiative. He referred to the key note speech of Xi Jinping which revealed the series of measures or public goods to promote Belt and Road cooperation. For instance China will contribute an additional RMB 100 billion to the Silk Road Fund. The China Development Bank and Export-Import Bank of China will set up special lending schemes respectively worth RMB 250 billion and RMB 130 billion equivalent to support Belt and Road cooperation on infrastructure, industrial

capacity and financing. China will provide assistance worth RMB 60 billion to developing countries and international organizations participating in the Belt and Road Initiative to launch more projects to improve people's well-being. China will also train 5000 foreign scientists, engineers, managers and set up 50 joint laboratories. He highlighted that over the past three years 19 early harvest projects are under smooth construction with a total contract amount of 18.5 billion USD. Just four weeks ago PM Nawaz Sharif inaugurated the first unit of Sahiwal Coal Power Project which adds 660 megawatt of electricity to the national grid of Pakistan. Coal-fired plant will be completed within this year. He highlighted that in the first week of May 2017, China and Pakistan inaugurated an emergency medical center and a fishery processing plant for local people in Gwadar. He concluded his speech by saying that the long term plan of CPEC will be finalized this year which will set the direction and focus area for CPEC construction in the future.



Chief Guest Mr. Shoaib Ahmad Siddiqui, Secretary Federal Ministry for Planning, Development and Reforms expressed his warm sentiments for the BRI by saying that it is a message of hope and message of peace and development. He opined that Pakistan and China both are resilient nations and have come together for this joint venture to ensure the win-win situation for both. He quoted the renowned quotation, “China Pakistan friendship is deeper than oceans, higher than Himalayas and sweeter than honey”. He also referred to President Xi's keynote speech in the recent Belt and Road Forum:

“We are ready to share practices of development with other countries, but we have no intention to interfere in other countries' internal affairs, export our own social system and model of development, or impose our own will on others. In pursuing the Belt and Road Initiative, we will not resort to outdated geopolitical maneuvering. What we hope to achieve is a new model of win-win cooperation.” He concluded his speech by saying that issues lie everywhere and in every project but they can be solved through mutual talks. The job creation is the outcome of CPEC project.



The next speaker Mr. Hassan Daud Butt, give an insightful presentation on “Geo-Economic Significance of CPEC” and shared the current status of this mega project. He said that Belt and Road Initiative is the name of a plan to revive and better the spirit of the Old Silk Road and a step towards realizing the prophecy of the Asian Century. The Chinese termed it One Belt One Road which is known as Yidaiyilu in Chinese. BRI is a shift in strategy to integrate China with the rest of Asia, Europe and Africa and in the process of building infrastructure across these regions to boost economic growth of the region and definitely create win-win situation for China along with the participant countries in the project. As far as connectivity is concerned, at national level it contains nodal cities rural-urban synergy, new urban centers, logistics and enhanced transport infrastructure. At regional level it includes Central Asian Republics (CARS), Gulf Estates, Iran, and Afghanistan. Fitch Ratings affirmed Pakistan’s long-term foreign and local currency Issuer Default Ratings (IDRs) at ‘B’ with stable outlooks. Pakistan’s position in the Doing Business global rankings improved to 144 out of 190 economies this year, as against 148 in 2016 as 100 Industry delegations have visited Pakistan over the past 3 years. (*Doing Business 2017: Equal Opportunity for All, World Bank*). Socio-economic benefits to Pakistan include economic growth: up to 2-3% in GDP , improvements in energy and infrastructure to overcome supply side bottlenecks, creation of about 400,000 jobs, ensuring energy security, maritime sector development, increase in trade and commerce, development of agriculture sector along modern line and better water resource management. These benefits also include the creation of industrial parks and improvements in supply chains, tourism development, human resource development, new urban centres, inclusive development, national integration/regional linkages, cultural exchanges and technological innovations. There are plans to set up vocational Training center and hospital with Chinese government’s grant. KPK province will be provided with medical, educational and training projects in line with the need of local people, to translate the benefits of CPEC immediately among them. For average person, the outcomes of the CPEC are tangible, accessible and enjoyable to hundreds of thousands families across the country. He shared the progress and the status of numerous projects under implementation under CPEC such as Sahiwal coal-fired power plant, Punjab. Currently 95% of civil works on site is completed and its commercial operation date is expected to be Dec 25, 2017. Suki Kinari Hydropower station

and the Naran KPK projects achieved their Financial Close. The arrangements of the paramount project of Gwadar East-Bay Expressway, Gwadar International Airport are expected to be finalized this year as the MOU has been signed for the grants of this project recently during the visit of PM Nawaz Sharif to China. There is a scarcity of water in Gwadar for which the work is being done in close cooperation with China to facilitate fresh water provision. China's financing in these projects will be processed in form of grants. A request by EAD has been sent to Ministry of Commerce People's Republic of China MOFCOM to set up Pakistan-China Friendship Hospital for grant to add 100 beds from existing 50, for the subsequent extension of 300 beds. There is also a Technical and Vocational Institute at Gwadar and a Chinese technical team is also expected to visit this year. He shared that there would be progress in the project of Gwadar Smart Port City Master Plan this year. The western corridor will be completed in August next year and the eastern corridor will be completed by December next year. He concluded his speech by suggesting the way forward which includes the mobilization of all resources for timely implementation/completion of projects, continued effective coordination between the Federal and Provincial governments/stake holders, coordination with the Chinese Side on long term plan and Belt and Road Initiative, engaging the Pakistan Business Community to utilize the benefits by proactive approach and timely preparatory work, consolidating the already existing resolve and commitment, maintaining national unity and consensus on CPEC.

The next speaker Dr. Talat Farooq, Senior Research Fellow, SVI added her views on the "CPEC and the Geopolitics of South Asia: A theoretical perspective". She quoted Halford Mackinder by saying that he would agree on Pakistan's strategic location at the mouth of Strait of Hormuz which enables it to assert its geopolitical role in the region, especially after the launch of the China-Pakistan Economic Corridor



(CPEC) project. She further elaborated that in geopolitical terms, what we are witnessing is a historic shift in regional alignments, which is bringing together China, Pakistan, Russia and Iran on the template of the CPEC. Moreover, despite hiccups China is proving to be an economically more attractive and politically more reliable partner for not only Pakistan but also for other states like Sri Lanka, Nepal and Maldives. The South Asian scenario is dominated by India-Pakistan rivalry and the ongoing US war against terrorism. In spite of India's rise, it is still entangled with multiple disputes with its nuclear peers, including Pakistan and China. Particularly, it has

complicated India-Pakistan bilateral relationship and widened the expanse of military asymmetry, which is motivating them to crafting of more offensive conventional and nuclear posturing. Notwithstanding Pakistan's internal security issues, its geostrategic position continues to endow it to play a pivotal role together with the regional, Western and Far Eastern countries, including the United State (U.S.) and China. She summed up her speech by raising a question that will South Asian geopolitics remain hostage to Indo-Pak hostility and India's CPEC related insecurities as being manifested in Baluchistan? Realists would point out that the mutual distrust over security issues between Pakistan and India pertaining to Kashmir, militant groups and terrorism is likely to prevent conflict resolution. Neo-liberals would however be more hopeful. According to Liberal Institutionalists rule-based multilateral organizations can help counter international anarchy by persuading their members to settle bilateral disputes through trust-building and transparency. Pakistan and India have recently joined the Shanghai Cooperation Organization (SCO). China has always been a well-wisher of Pakistan but with the launch of BRI and CPEC, Beijing would be ever more interested in a peaceful neighborhood. The SCO with its focus on anti-terror mechanisms could help ease Indo-Pak tensions. Liberals would argue that Beijing and New Delhi constantly work for strong and meaningful economic engagement despite several outstanding political issues. SCO could provide incentives for economics.

Notwithstanding Pakistan's internal security issues, its geostrategic position continues to endow it to play a pivotal role together with the regional, Western and Far Eastern countries, including the United State (U.S.) and China. She summed up her speech by raising a question that will South Asian geopolitics remain hostage to Indo-Pak hostility and India's CPEC related insecurities as being manifested in Baluchistan? Realists would point out that the mutual distrust over security issues between Pakistan and India pertaining to Kashmir, militant groups and terrorism is likely to prevent conflict resolution. Neo-liberals would however be more hopeful. According to Liberal Institutionalists rule-based multilateral organizations can help counter international anarchy by persuading their members to settle bilateral disputes through trust-building and transparency. Pakistan and India have recently joined the Shanghai Cooperation Organization (SCO). China has always been a well-wisher of Pakistan but with the launch of BRI and CPEC, Beijing would be ever more interested in a peaceful neighborhood. The SCO with its focus on anti-terror mechanisms could help ease Indo-Pak tensions. Liberals would argue that Beijing and New Delhi constantly work for strong and meaningful economic engagement

despite several outstanding political issues. SCO could provide incentives for economic interdependence through CPEC for India and Pakistan as well leading to a less securitized relationship.

The last speaker of the session Dr. Ejaz Akram, Advisor to President National Defence University, Islamabad talked about the “CPEC and Geopolitics of Regional Connectivity”. He commenced his presentation with two aspects of CPEC; is the process which includes all infrastructure and the overall conditions of the CPEC. The recent history of the CPEC region has shown transformation in all aspects politically, economically and socially. Both China and Pakistan have



different ideologies but they have very strong bilateral relationships. They are time tested friends as well as have strong mutual respect for each other. He shared that the decline of the West and rise of China can be understood by China’s given economic challenges, its intellectual/traditional and political challenge and its social model challenge in comparison to the West. Despite all these challenges China has developed not only economically but intellectually. Now it has become a civilization state and no more considers itself a nation state. As far as the connectivity between Muslim world and China is concerned, both civilizations have left splendid chapters in the history of world civilization. First, the exchanges between the two civilizations enjoyed a time honored history. Two thousand years ago, China’s ancestors overcame numerous hardships along the Silk Road to meet each other. The two civilizations have learned side by side through mutual learning. He concluded his speech by saying that both countries maintained a friendly and harmonious relationship setting up a fine example of harmonious existence. China-Pakistan relations are the closest relationship in the world and the CPEC project has very strong bilateral social and political basis.

The third session on “CPEC and Capacity Building of Pakistan’s Industry” was chaired by Dr. Cheema. He requested the first speaker Mr. Raja Amer Iqbal, President Rawalpindi Chamber of Commerce and Industry to speak on “Special Economic Zones (SEZs) and CPEC”. Mr. Iqbal said that the CPEC route is a vast 2,242 km long network of roads, railways & pipelines starting from Gwadar port in Pakistan that passes through Baluchistan, Punjab Region, FATA Region, Gilgit Baltistan (PoK)



and finally China where it will end in Kashgar. He highlighted the phases of CPEC as the Short-term phase (Expected completion 2020), Medium-term phase (expected completion 2025), and Long-term phase (Expected completion 2030).

The mega project of CPEC is bound to bring many opportunities in different sectors such as in Industries and Industrial Parks, 85 Million Job Opportunities, 1% - 1.5% increase in GDP through FDI, regional connectivity / Ease Interstate Disputes, socio economic opportunities, trade and commerce, energy hub/flows, logistic hub/flows and will give Pakistan an opportunity to be a beneficiary of China's largesse. Simultaneously there are many challenges ahead of this project as regional and internal security challenges such as Baluchistan conundrum as well as political discontent in Pakistan impact the socio-economic aspects of CPEC. Talking about the energy sector, he informed the audience that under CPEC framework 16 projects have been prioritized with total capacity of 10,400 MW out of which 5 have been inaugurated, namely:-

1. Bhikki Power Plant
2. Sahiwal Coal Fired Power Plant.
3. Nandipur Power Project
4. Chichon ki Malian Hydropower Plant
5. Port Qasim Coal Fired Power Plant

There are 9 Special Economic Zones namely; Rashakai Economic Zone on M-1, Special Economic Zone Dhabeji, Bostan Industrial Zone, Punjab-China Economic Zone, M-2 District Sheikhupura, ICT Model Industrial Zone, Islamabad, and Development of Industrial Parks on Pakistan Steel Mills land near Qasim Port Karachi, Bhimber Industrial Zone, Mohammad Marble City and Moqpondass SEZ Gilgit-Baltistan.

There are some concerns raised in public over CPEC project can be elaborated as following;

- Pushing Pakistan in Debt Trap Diplomacy by China like Sri Lanka's Hambantota Port.
- Catalyst for new Indo-Pak War (UN Report)
- Opposing territorial integrity of India over disputed Kashmir.
- Means to colonize Pakistan (Dawn's Master Plan)

He highlighted that there are many serious concerns over CPEC project such as:

- Labor For Hi-tech
- Growing Security Dilemma
- Status Of Funding
- Joint Ventures
- Ease Of Doing Businesses
- Deindustrialization

He concluded his speech by saying that both countries are keen to enhance trade activities, improve infrastructure and on the development of dams, stability of economy through investment in different sectors. There is a positive response from both countries for mutual cooperation.

The next speaker Mr. Khalid Iqbal Malik, President Islamabad Chamber of Commerce & Industry shared his views on “CPEC and Opportunities for Pakistan's Industry”. He stated that CPEC is the extension of China’s Silk Route Initiative One Belt One Road; strategy will connect China with more than 60 countries of various continents including Asia, Africa and Europe through land and sea routes. CPEC is considered central by China in the bilateral relations of Pakistan and China. He shared his views that the CPEC and its connectivity with Central Asia, Middle East and Africa will help to develop this entire region. CPEC project is considered as game changer for the economy of Pakistan. It is expected that more than 10,000 MW energy would be added to the national grid of Pakistan because of the energy projects under CPEC. Business activity will be enhanced through the construction of infrastructure, railways, and roads. This will provide many opportunities for the growth of local industry. The private sector of Pakistan will also get opportunities for joint ventures and investment in this project. However many local industries and businessmen are of the view that government should share the full details of CPEC with the private sector. The government of Pakistan did not share the full terms and detail of CPEC with other sectors, which keeps the indigenous industry and other stakeholders unaware of the impacts of CPEC on domestic industry and the economy. He shared his views that the local manufactures are concerned regarding the goods to be imported for consumption and raw material for CPEC projects. There are chances that the imported goods may penetrate into the local market and effect the local business as happened in the case of Afghan transit trade. He opined that CPEC should provide fair opportunity to the industries and industrialists of both the nations. With



reference to Dawn leaked report on China's long term plan, some say that with the Chinese involvement, the agricultural yield will be enhanced and harvest losses could be minimized with the logistics, techniques, and infrastructure and quality inputs. However government should share the full details of CPEC with private sector and address their concerns. The indigenous industry needs to upgrade its machinery and technology to compete effectively with its counterpart China in CPEC project. Islamabad Chamber of Commerce and Industry asked the government to remove all the tariffs and duties on the import of all type of industrial machinery and technology in budget of the year of 2018. However no said concessions have been provided to the local industry in the recent announced budget which is very discouraging. He concluded his speech by saying that it is requested to the government through this platform that all duties be removed/exempted on the import of industrial machinery and technology which is not available in this country so that the local industry could upgrade itself and play a more active role in the progress of the export of this country. There are positive sentiments and expectation that the CPEC project will bring more opportunities in the industrial sector.

The next speaker, Ambassador (R) Syed Hasan Javed, Director Chinese Study Centre, NUST, and Islamabad presented a thought provoking presentation on "CPEC Implementation and Policy Challenges". He shared his views on the urgency of wide ranging policy reforms by saying that CPEC is a strategic project of national and international importance with overt and covert hostility of Great Powers, particularly India. CPEC should be studied by the best minds and expertise available in Pakistan. Lack of cohesion among major stakeholders, transparency and prevalence of confusion sends wrong signals. There is a poor followup action and weak implementation machinery, inadequate homework in undertaking cost benefit analysis due to lack of professional capacity and governance weaknesses. There is an absence of a policy framework to facilitate multi sector reforms to enable ease of doing business for foreign investors; lack of policy initiatives to simplify rules and procedures, there is a need to improve governance capacities, and to impart vocational skills. Our researchers excel in good English drafting skills only. There may be failure to implement CPEC Software of Comprehensive Policy Reforms to make available such as 'One Window Facility' for foreign investors, particularly Chinese investors. He opined that the solution is to establish an integrated CPEC authority of civilian and military experts for



suggesting comprehensive policy reforms. He proposed themes for CPEC research for implementation and policy making. He opined that Special Economic Zones are drivers of economic growth, investment, capital formation, export competitiveness, best practices and technology upgradation. He referred to the case study of the experience of Chinese Special Economic Zones: Shenzhen. There is a need to draw up regulatory framework, operational methodology and identification of hurdles for harnessing the full potential of SEZs. He suggested that there is a need of drawing up a sequential strategy to first operationalize nine SEZs particularly those along the Coastal areas in Karachi, Thatta, Hub, Gwadar, etc. There should be a study of Pakistan's advantages such as availability of labor, proximity to Gulf, West Asian and African market, legal framework, IT and telecom structure, raw material and mineral resources, Agro-food Products etc. There is a need for autonomous government entities and workable comprehensive regulatory framework\_to jumpstart SEZs. Development of capacity building, institutional governance and manpower skills for SEZs is needed. Drawing up an investment package of tax incentives, duty concessions, credit availability, labor mobility, one window facilitation etc for Chinese investors and Pakistani private sector may play a crucial role in the policy implementation of CPEC.

He further said that creating 'Brand Pakistan' along each step of value chain with unique product development associated with individual SEZs with mobilization of overseas Pakistanis should be appreciated. Establishment of supra CPEC authority comprising Civil and Military Officials of utmost integrity, professional capabilities and job responsibility should be approved by the Parliament and protected under the Constitution.

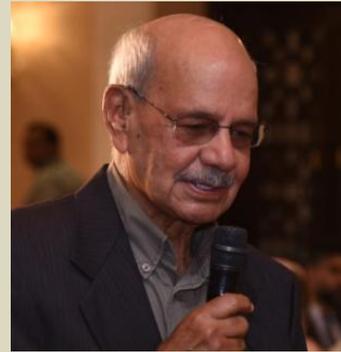
With these recommendations, the floor was opened for the questions and answers.

Dr. Akram from the National Defence University Islamabad asked how one can see the future of CPEC and if China could be contained by the non-state actors supported by the anti-China and anti-CPEC countries? Dr. Ejaz Akram replied that the anti-CPEC countries specifically with reference to US will not be able to do so. He said that the US is still focused on the occupation of Afghanistan where it continues to use NATO forces. Hence anti wars movement will get more momentum. But dealing with nuclear power states as they did in Iraq and Afghanistan is quite tough.





Lt. Gen (R) Asad Durrani asked from Mr. Daud Butt about the level of trust and confidence among the local population regarding CPEC project and how could be Indo-US opposition could be addressed? Mr. Daud Butt said that the opposition to CPEC project could be countered only through implementation and delivering. As far as the public confidence is concerned, we have delivered. The entire work force has better performed in terms of CPEC. There would be 6000MW energy added to the national grid by 2018. The constructions of western corridor and eastern corridor are going to be completed soon. If one analyzes critically, the projects take time. As far as building of confidence is concerned, the government is in the process of engaging different chambers and getting advices from academia. Commenting on this



Dr. Talat Farooq said that the state-society disconnect has always been there. The kind of political will and the kind of organizational planning and implementation is the need of time. It is not absolutely absent but is largely lacking. So far whatever the implementation has been done is more from China and hardly from Pakistan. The priorities of our elite and the policy makers are more on their own political agendas/domestic politics. She said that they lack the vision that this project would have not only for Pakistan but also for the entire region. More transparency, more detail, more openness is needed between state and society.



Dr. Saif Malik, Former Director Research and Publications HoD MPhil Program/ Director BS Program, National Defence University Islamabad asked how does the CPEC address the concerns of education sector since it is more focused on the agriculture? Addressing this question Mr. Butt said that this is very important aspect and both China and Pakistan have signed a memorandum on the cooperation between five business schools from China and five business schools from Pakistan.

Finally Mr. Ross Masood Husain Chairperson SVI offered his vote of thanks and gave concluding remarks by saying that the BRI is a revolutionary concept brought forth by China's

dynamic leader Xi Jinping and CPEC is the first link to it. It will bring about prosperity not only for both countries but also for the whole region. In the end Dr. Zafar Iqbal Cheema thanked all the distinguished speakers and the audience.

### **Media Coverage**

Media covered the half day conference on Belt and Road Initiative and China Pakistan Economic Corridor.

#### **Express Tribune:**

<https://tribune.com.pk/story/1440722/cpec-fastest-effective-among-chinese-projects/>

#### **Dawn:**

<https://www.dawn.com/news/1340857>

#### **Business Recorder:**

<http://fp.brecorder.com/2017/06/20170621191399/>

#### **Daily Times:**

<http://dailytimes.com.pk/e-paper/2017-06-21/lahore/12383>

#### **Pakistan Today:**

<https://profit.pakistantoday.com.pk/2017/06/21/cpec-is-bris-best-performing-project-chinese- envoy/>

#### **Observer:**

<http://pakobserver.net/cpec-one-best-performing-projects-belt-road-initiative-lijian/>

#### **Associated Press of Pakistan (Official Newswire):**

<https://www.app.com.pk/cpec-is-bris-best-performing-project-chinese-envoy/>

#### **Radio Pakistan:**

<http://www.radio.gov.pk/20-Jun-2017/cpec-one-of-best-performing-project-of-his-country-s- belt-road-initiative-lijian>