



# For Better Understanding on China-Pakistan and CPEC

## Gleanings from the National Press

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A pilot project of PICS

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**January 01, 2020**

## **Business Recorder**

### **NA panel approves CPEC Authority Bill**

ISLAMABAD: The National Assembly Standing Committee on Planning, Development and Reform has approved the “China-Pakistan Economic Corridor Authority (CPEC) Bill, 2019.”

The committee met with Junaid Akbar in the chair here at Parliament House on Tuesday. The committee discussed the ‘China-Pakistan Economic Corridor Authority (CPEC) Bill, 2019,’ Millennium Development Goals (MDGs), Sustainable Development Goals (SDGs) and Sustainable Development Achievement Program (SAP)

Some members of the committee also raised objections on section 4 of the bill, which gives immunity to chairman CPEC Authority, chief executive officer, executive director and any member of the authority. They said that nobody could approach the court if anything is done wrong.

Committee members Syed Agha Rafiullah, Saleh Muhammad and others also said that the immunity to chairperson CPEC Authority should not be given and there should be mechanism for accountability and check and balance.

Additional Secretary Ministry of Planning, Development and Reform Syed Waqar-Ul-Hassan, who was giving briefing to the Committee on the bill, said that this immunity is being given in good faith. He said this immunity would provide shield for smooth functioning of the Authority. According to Section-IV of the bill, “Immunity: - Except as expressly provided in this bill, no suit prosecution or other legal proceedings shall lie against the Authority, the Chairperson, Chief Executive Officer, Executive Director, any Member, officer, member of staff, other employees, expert, consultant or advisor of the Authority in respect of anything done or intended to be done in good faith under this law, the rules or the regulations.”

When Committee Chairman Junaid Akbar sought opinion from Law Ministry, the official of the ministry told the committee that the court could be approached against the Authority. After discussion, the committee approved the China-Pakistan Economic Corridor Authority (CPEC) Bill, 2019.

While briefing the committee, the secretary planning said that CPEC Authority is necessary as there are some long-term projects under CPEC and even Saudi Arabia, Russia, Turkey and Gulf countries are interested to make investments. He said that Special Economic Zones (SEZs) are also being established under CPEC which would improve the economy of Pakistan. He said that work has been started on utility infrastructures (electricity, gas, water etc.) for industrial zones. He said that ML-I Railway Project of estimated cost of \$ 9 billion is also being launched which will not only improve the infrastructure of the railway but trains would also be run through electricity.

He said that China has given \$ 1 billion grant for social sector projects. He said that projects relating to health, education, vocational training and research would be started. He said that some

projects would be completed in one year and other would be completed in three years. The committee discussed that transfer of technology may be kept on priority while making any agreement with China or other countries. It was discussed that almost 30,000 Pakistani students are studying in China in different disciplines. The committee recommended that the government of China may be approached to build universities in Pakistan, as it will save foreign exchange and will increase education capacity in Pakistan.

The secretary planning, development and special initiatives briefed about the implementation on recommendations of the committee. The project director Dasu Hydropower submitted progress report to the committee as sought by the committee in last meeting. The committee directed to share the progress of the project with the committee on monthly basis.

The chief executive Neelum-Jhelum Power Project informed that as per decision of ECC of the Cabinet, Neelum-Jhelum surcharge will be rescinded at the achievement of commercial operation date of whole project. He further informed that the Central Power Purchasing Agency Guarantee Limited (CPPA-G) has approved to raise the invoice for the energy supplied to grid through WAPDA. The committee recommended that WAPDA should build and run the hospitals and schools, and provide roads and other necessities to victims of Dasu Dam.

Millennium Development Goals (MDGs), Sustainable Development Goals (SDGs) and Sustainable Development Achievement Program (SAP) were discussed in the meeting. The committee recommended that balanced development may be ensured throughout Pakistan especially in backwards/rural areas. The committee also desired to transfer task relating to MDGs, SDGs or SAP from Cabinet Division to the Ministry of Planning, Development and Special Initiatives.

<https://www.brecorder.com/2020/01/01/557940/na-panel-approves-cpec-authority-bill/>

## **Dawn News**

### **Students enrolled in China seek payment of scholarships**

Pakistani students studying at a university in China have complained they are forced to take loans as they have not been paid the scholarships since their admissions in Sept 2019.

In a written complaint sent to this reporter from China, several students studying MS and PhD courses and wishing not to be named stated that they had been enrolled at the Shandong Normal University under the Khyber Pakhtunkhwa Chief Minister Scholarship Programme through the Frontier Education Foundation (FEF).

They said a total of 32 students from Khyber Pakhtunkhwa (18 in MS and 14 in PhD courses) were admitted to the varsity. However, they complained that despite passage of four months since they got admitted they had not been paid the scholarships.

They said though it was a fully-funded scholarship programme, each student had paid 1,500 Ren Min Bi (RMB), the Chinese currency, in the first week as visa and dormitory security fees. The

students also complained they had not been provided with any medical insurance despite the fact that medical care in China was expensive.

The students said under the programme each student had to be paid 3,500 RMB in case of PhD, and 3,000 RMB in case of MS, but the FEF had decreased the scholarship amount to 3,000 RMB and 2,000 RMB, respectively, thus violating the MOU signed with the Chinese university. They said the students had to take loans from relatives and friends for meeting daily expenses.

They demanded of Khyber Pakhtunkhwa Chief Minister Mahmood Khan to take notice of the matter.

<https://www.dawn.com/news/1525545/students-enrolled-in-china-seek-payment-of-scholarships>

### **CPEC moving into high gear**

THE inauguration of the 300-megawatt Gwadar coal-fired power plant in November was the first major sign in a long time, signifying that the multibillion-dollar China Pakistan Economic Corridor (CPEC) initiative was back on line.

The plant's launch was preceded by the 9th Joint Cooperation Committee (JCC) meeting that had signaled renewed eagerness of both Beijing and Islamabad to reboot the project, which had otherwise been on a slowdown since early 2017.

The formation of the controversial CPEC Authority and the appointment of a retired general as its head, a decision some allege has effectively shifted the CPEC's stewardship from civilians to the military, are also being seen in the same context. There is also a general expectation that the bilateral cooperation around the corridor initiative is going to get a new push in 2020, as it enters the second phase of its development and its focus shifts to the country's troubled areas, especially in Baluchistan.

The second phase focuses on industrialization, socio-economic development, agriculture modernization and tourism.

With the military now in full control of the corridor initiative, Beijing's influence on how the Imran Khan government, which didn't appear much bullish on the project in the beginning, handles CPEC schemes in the future has also grown.

The two sides have also agreed to start or escalate work on different new or stalled transport and energy schemes, including the \$9.2 billion railway line (ML-I) to upgrade the track from Peshawar to Karachi, the construction of highways for completing eastern and western corridor routes, securing borders with Afghanistan and Iran to protect CPEC projects, etc.

Both sides used the last JCC to broaden the scope of future collaboration around CPEC to industrial and agricultural development, copper/gold mining, oil and gas exploration, affordable housing, social sector, and poverty alleviation, moving away from the large energy and transport infrastructure schemes undertaken in the first phase.

Officials related to CPEC projects hope that the government would provide a new impetus to the project in 2020. Asad Umar, who was given charge of the planning and development ministry on Chinese insistence on his return to the cabinet, couldn't be reached for comment. However, he recently said that the benefits of CPEC would start to trickle down to productive sectors of the economy, including industry and agriculture in 2020.

The second phase of the CPEC development would build on the success of the early harvest projects that had helped remove energy and road bottlenecks and focus towards generating greater economic activity and job creation, Mr. Umar said. "The second phase focuses on industrialization, socio-economic development, agriculture modernization, and tourism promotion. Central to the second phase is the development of three special economic zones (SEZs) — Rashakai, Allama Iqbal Industrial City and Dhabeji — on a priority basis to attract large foreign direct investment and reverse the tide of deindustrialization," he added.

Hasan Daud Butt, the previous CPEC project director, expects the focus to shift towards upgrading the Peshawar-Karachi railway track, SEZs, fiber-optic connectivity and the development of Gwadar city in 2020, and hopes that the newly formed CPEC Authority (read military) is going to play a crucial role in the second phase of development.

But there are some who are not so optimistic, insisting that a combination of Pakistan's ongoing economic and financial troubles and an adverse American narrative about the Belt and Road Initiative (BRI), of which CPEC is an important part, may likely hamper a faster movement on the corridor project in the near term.

"Growing American opposition to the BRI in the wake of ongoing tensions with China and Pakistan's financial issues could frustrate the plans to put CPEC on a fast track in 2020," said an Islamabad-based development consultant, who refused to give his name because of personal reasons.

In support of his argument, he pointed out that the IMF's demand for greater scrutiny of the Chinese investments and loans along with US Secretary of State Mike Pompeo's warning in August 2018 that any "potential IMF bailout for Pakistan should not provide funds to pay off Chinese lenders" were mainly responsible for the pause in the work on CPEC.

Others don't buy this argument. "CPEC has pretty much been on a slowdown since late 2017, but it has been internal and bilateral economic and political dynamics that have been decisive rather than outside pressures," Andrew Small, the author of *The China-Pakistan Axis: Asia's New Geopolitics*, told Dawn.

"The US stance is significant largely in the context of the battle for international opinion over BRI. Unlike during the previous phase, when the US was fairly neutrally or even positively disposed towards CPEC, there is now greater interest in pointing out flaws and failings in BRI's flagship initiative," he said in reference to the remarks made last month by senior US diplomat Alice Wells.

But he does not expect the American stance to have much of an impact on the multibillion-dollar project. “CPEC’s fate will continue to be far more dependent on Pakistani and Chinese political choices and the economic dynamics in Pakistan; there will just be additional scrutiny and criticism of the whole thing coming from the US side,” he said.

<https://www.dawn.com/news/1526403/cpec-moving-into-high-gear>

## **Pakistan Observer**

### **Chinese envoy hails progress on energy projects under CPEC**

The Chinese Ambassador to Pakistan, Yao Jing while acknowledging the exemplary progress on energy projects under the CPEC said that during the coming year the cooperation is further to be expanded.

The Ambassador made these remarks during meeting with Federal Minister for Power and Petroleum Omar Ayub Khan here on Tuesday. He said that many Chinese Companies are eager to invest in the Power, oil and gas sectors. He informed that since with the New Year under the FTA between Pakistan and China, the exports to China will increase considerably, there will be higher economic activity in Pakistan to meet the demands. Speaking on the occasion, the Federal Minister for Power and Petroleum said the advent of New Year will usher in further strengthening of exemplary friendship between Pakistan and China and both sides were keen to work even closer in various fields, including energy sector and new areas are being explored. The Minister apprised the Ambassador that all projects under CPEC are being executed well within their timelines. He said that the cooperation and coordination among the Chinese investors and relevant agencies of the Power Division are exemplary. Apprising about the oil and gas sector the Federal Minister said that bidding process for 40 new exploration blocks are soon to be initiated. He said that under a proposed policy the oil and gas exploration well digging number is to be increased from average 33 to 100 by the OGDCL which will also increase possibility of new explorations. During the meeting progress on various projects under the Energy Sector were also reviewed. It was also agreed that a comprehensive review meeting on all projects will be held sooner at the Power Division.

<https://pakobserver.net/chinese-envoy-hails-progress-on-energy-projects-under-cpec/>

### **Can Chinese aid go green?**

China has come under a great deal of criticism for its funding of carbon intensive projects under the Belt and Road Initiative (BRI), but some within China see its future in renewables as necessary, both in environmental and economic terms.

China’s Energy Research Institute has proposed a “2C Asia” initiative to survey energy supply and demand in Asian nations and work with them to decarbonizes energy systems and meet the goals of the Paris Agreement.

Researchers believe that China's foreign aid needs to be better targeted and that funding for the initiative could come from the South–South Climate Cooperation Fund set up in 2015, or the China Clean Development Mechanism Fund, which currently supports low-carbon growth domestically.

### **Rethinking China's foreign investment**

How China invests in countries signed up to the Belt and Road Initiative (BRI) will be crucial to the success or failure of the Paris Agreement. These investments are skewed towards coal power, meaning China is driving countries down higher emission pathways not aligned with the Paris Agreement, according to a recent report by institutions including Tsinghua University.

At the second Belt and Road forum earlier last year, Chinese leaders stressed the BRI should have a “green undertone” and promote sustainable investment. But so far there have only been preliminary discussions about an overseas low-carbon policy framework.

The 2C Asia Initiative is similar to the East Asia Low-Carbon Community proposal put forward in 2016 by another Chinese think-tank, the National Centre for Climate Change Strategy. That didn't garner much attention but it would have brought together the Asian Infrastructure Investment Bank, the Silk Road Fund, the South-South Cooperation Fund and the China Clean Development Mechanism Fund to support low-carbon investments and capacity building in Southeast Asia. Developed economies, such as Korea and Japan, would also have been invited to participate.

### **Directing aid at clean energy**

Researchers say China's aid could support subsidies like feed-in tariffs, which have driven spectacular growth in China's renewables sector, to promote renewable energy across Asia. At the moment, China's climate-related aid is focused on building low-carbon generation – primarily hydropower, with some wind, solar and geothermal too. China also provides aid and equipment, such as solar panels, to Africa, as part of its South–South cooperation efforts. But China's foreign aid has rarely involved supporting or funding macro activities such as energy sector policy and planning. They (researchers) think China may consider shifting foreign aid from traditional infrastructure projects which have high labor costs, towards early-stage funding for clean energy.

### **Coal power firms on government 'blacklist'**

Aid is only a small part of China's foreign spending. The commercial programmes funded by Chinese policy banks have the biggest impact on emissions in Asian nations.

The government can exert some control over policy bank financing through the State Assets Supervision and Administration Commission (SASAC) which is responsible for overseeing China's state-owned firms. Since 2017, it has been tightening up overseas investment, with stricter checks on processes, risks and returns and which sectors get financed.

Taking Indonesia as an example, recent research by Greenpeace and Shanxi University of Finance and Economics found that by 2022 many parts of the country will see a surplus of coal power – meaning any Chinese coal power investments there run the risk of becoming uneconomical.

Researchers believe that environmental standards will tighten and carbon costs will become a factor as Belt and Road countries align themselves with the Paris Agreement. Meanwhile, the cost of renewables is falling, increasing the risk that China’s overseas coal power assets will fail to be profitable.

Chinese firms investing in power projects overseas have their own concerns. As state-owned enterprises, they have an obligation to increase the value of their assets, and to provide jobs. Some Chinese companies and academics hold that too strict a blacklist will harm both company competitiveness and the broader national interest.

To these concerns researchers say, “The strategic significance of the Belt and Road Initiative goes far beyond the interests of a dozen or more coal-fired power plants. Overall, China has no need to develop or export coal technology, because the country’s renewables technology is lower-carbon, greener and more competitive.”

### **Support for renewables firms investing overseas**

When it comes to renewable energy firms, overseas investment should be encouraged through simpler approval processes. But as things stand, Chinese renewables developers often struggle in overseas markets, where they lack the subsidies and other forms of support they received domestically. With limited assets, these small firms struggle to obtain bank loans and cannot shoulder much risk. Furthermore, their overseas investments have been hampered by a lack of capital because of delayed subsidy payments from the Chinese government for domestic projects, researchers suggest.

Chinese companies looking to invest overseas must also overcome domestic concerns about the effect of renewables on grids. Looking again at Indonesia the Ministry of Energy and Mineral Resources targets 23% of the country’s energy mix to be drawn from renewable sources by 2025. But many of its power generators do not want to see a major expansion of wind and solar, citing intermittency concerns.

Yan Bingzhong of the China Renewable Energy Engineering Institute has been involved with China’s plans for energy investments in Asian Belt and Road countries. He says particular attention needs to be paid to the scale of renewables development, and coordinated development of power grids and power sources, to ensure local economic needs are met.

<https://pakobserver.net/can-chinese-aid-go-green/>

## **Technology transfer, CPEC and agro industry**

*Naveed Aman Khan*

Pakistan expects to use the multi-billion-dollar Chinese investment to significantly enhance its industrial capacity and economic productivity backed by greater energy supply. It anticipates doing this through improved geographical linkages and upgraded road, rail and air transportation systems that facilitate a higher volume of trade flow. It is also eyeing opportunities of transfer of knowledge and technology with its Chinese counterparts. There has been significant progress in the twenty one industrial, eight infrastructure and twelve Gwadar-related projects that have commenced under the China-Pakistan Economic Corridor (CPEC) banner with several industrial projects now being operational. Four rail-based mass transit and six provincial projects are also in different stages of feasibility and beyond. In addition to this, nine Special Economic Zones have also been proposed to be set up as part of the CPEC to boost industrial development.

The federal government will set up two SEZs, including the development of an industrial park at Port Qasim near Karachi with 1,500 acres of land. The second SEZ will be in the Islamabad Capital Territory; FATA, AJK, GB and the provinces will have one SEZ each, as well. Punjab aspires to set up an Economic Zone along the M-2 motorway in Sheikhpura district (5,000 acres). Sindh will establish its Special Economic Zone at Dhabeji, 80 km from the Karachi airport (1,000 acres). Khyber Pakhtunkhwa will set up Rashakai Economic Zone at Nowshera (1,000 acres) for fruit, food packaging, textile, stitching and knitting industries. Baluchistan will set up an SEZ in Bostan, 23 km from Quetta airport (1,000 acres with 200 acres being developed already) for industries of fruit processing, agriculture machinery, pharmaceuticals, motorbikes assembly, cooking oil, ceramics, cold storage and electrical appliances. Gilgit-Baltistan will establish an SEZ at Moqpondass (250 acres) while AJK will establish a SEZ at Bhimber. In FATA, a boundary wall has been constructed around the Mohmand Marble City with 60 per cent of the site having been developed and the remaining expected to be completed very soon.

There is a wide scope for joint ventures between Pakistani and Chinese SMEs, especially in the fields of logistics, trucking, warehousing, fisheries, horticulture, minerals, food processing, construction dairy and livestock, ICT and allied service, light engineering, apparel and cold storage and supply chain business, etc. The corridor offers enormous opportunities for industry-led economic growth in Pakistan if we are able to take advantage of the emerging opportunities.

Productivity enhancement issue has been focused for every country of the world so as to increase the agricultural supply. The average annual growth attained by Pakistan is attributed to technological progress along with investment in agricultural related physical infrastructure and agricultural research and extension. During Green Revolution, most of the countries in Asia experienced the pivotal role of technological change in enhancing agricultural productivity. Among all types of agricultural expenditures, agricultural research and development is the most important in increasing agricultural productivity and ensuring food security. Various studies have been conducted to explore relationship between public investment and agricultural productivity. In case of Pakistan, a few attempts have been made to determine the relationship between

agricultural research and agricultural output with the conclusion that agriculture research has a positive and significant impact on agriculture productivity and yields high rate of return.

The real constraints to transforming Pakistan's agriculture are related to weak and fragmented markets with substantial government intervention especially non-performing land markets, inefficient allocation and use of irrigation water, regulatory environment that discourages investment and reduces market efficiency, primitive rural non-farm economy and limited interface with the modern business practices, rapidly declining public investment with serious under-investment in research and technology development and almost non-existent extension and outreach.

It is further projected that there will be immense pressure on limited surface as well as ground water resources. These challenges could be managed through adopting soil and water conservation technologies, enhanced use of high efficiency irrigation systems, developing drought resistant varieties and introducing climate smart agriculture.

Pakistan needs to upgrade its industry and agriculture technologically. To meet the national needs appropriately conservative ways and means will never work. China has achieved the goal of self-sufficiency by opting latest technology. Conservative ways and means have gone obsolete. To meet the needs of 1.35 billion Chinese, the Government of China has decided to go by modern technology. On an emergency basis Pakistan will have to shift its agriculture and Industry on most modern and sophisticated means by all means.

(The writer is a freelance journalist based in Islamabad)

<https://pakobserver.net/technology-transfer-cpec-and-agro-industry/>

## **The News**

### **Trade under Pak-China FTA-II begins today**

ISLAMABAD: Beijing and Islamabad will start from today (Wednesday) trade under Free Trade Agreement (FTA)–II which will provide the opportunity to Pakistan to increase its exports to China by \$4-6 billion in next five years.

The prominent salient feature of the FTA is the safe guard measures (SGMs) under which Pakistan will be able to restrict the import from China if it deems that its industry is going to injure with the import of that particular items. SGMs can be applied for three years, and can be extended to an additional two years. This has not been granted to any other country by China.

“The FBR has issued the notification heralding the implementation of FTA-II under which the trade between the two countries will begin from today,” a senior official of Commerce Ministry told The News.

“Under short-term basis, Pakistan will increase its exports by \$500-600 million,” he said.

The official said China has extended zero duty to Pakistan on 313 tariff lines which will help Pakistan exports increase and to capitalize the potential to increase exports, Pakistan decision makers require ensuring export surplus. Though the government is trying to allure Chinese

companies to relocate to Pakistan's Special Economic Zones, but the required pace is not visible, as the Chinese companies only want to plug and start playing but the government is not responding up to the mark.

Pakistan and China inked the FTA-II in Beijing on April 28, 2019 and under the new FTA Pakistan has secured enhanced and deeper concessions on products of its export interests, revision of safeguards mechanism for protection of the domestic industry, inclusion of the balance of payment clause as a safety valve against balance of payments difficulties, and effective enforcement of the electronic data exchange.

About the market access, the official said that under the Phase-II of China Pakistan Free Trade Agreement, both countries will liberalize 75 percent of tariff lines for each other in a period of 10 years by China and 15 years by Pakistan. China will immediately eliminate tariffs on 313 most priority tariff lines of Pakistan's export interest. Overall, China has granted concessions to products which include textiles and garments, seafood, meat and other animal products, prepared foods, leather, chemicals, plastics, oil seeds, footwear as well as engineering goods including tractors, auto parts, home appliances, machineries, etc.

Pakistan has offered market access to China on raw materials, intermediate goods and machineries. Access to cheaper imported inputs and machinery will improve Pakistan's export competitiveness and help upgrade its industrial production.

About Protected Tariff Lines, he said that 25 percent of tariff lines i.e., 1760 TLs have been placed in the protected list. The major protected industries include: textiles and clothing, iron and steel, auto, electrical equipment, agriculture, chemicals, plastics, rubber, paper and paper board, ceramics, glass and glassware, surgical instruments, footwear, leather, wood, articles of stones and plaster, and miscellaneous goods.

Mentioning SGMs, he said that these are invoked to temporarily restrict imports of a product which cause injury or threaten to cause injury to the domestic industry. The existing SGM, in CPFTA were inadequate to address the concerns of the industry and have lapsed since these could only be invoked during the transition period i.e. 2007-12. He said that some modifications have been incorporated in the agreement that include a) In Phase-I SGM were limited to the absolute increase in imports, but now can be invoked on relative increase in imports as well, b) The transition period has been increased to 10 years for CAT-I and 8 years for the remaining tracks, which in relation to Tariff Reduction Modality will be 15 years for CAT-II & 23 years for CAT-III. C) SGMs can be applied for three years, and can be extended to an additional two years. This has not been granted to any other country by China. d) In Phase-I SGM, injury to the industry had to be proven but an emergency measure of 180 days can be imposed in Phase-II without proving injury.

The official also told that with regard to balance of payment, the provision has been introduced in the agreement as such measures can help to forestall the imminent threat of a serious decline in monetary reserves.

“And in order to avoid miss-declaration and under-invoicing of imports from China, a system of Electronic Data Exchange has been enforced on the trade taking place under the framework of the Free Trade Agreement,” he said.

<https://www.thenews.com.pk/print/591749-trade-under-pak-china-fta-ii-begins-today>

## **CPEC moves successfully as year 2019 ends**

ISLAMABAD: The China Pakistan Economic Corridor (CPEC) is picking up the pace, as the year 2019 comes to an end.

The CPEC projects will move on with success and flourish without any odds, reports Gwadar Pro App. Both, Pakistan and China worked hard with joint efforts to make the outgoing year of economic cooperation and bring maximum benefits to their people.

The prime focuses of CPEC in 2019 were developing infrastructure sector and alleviating Pakistan’s energy shortage. Most of the CPEC’s projects of phase-I have either been completed or are near completion.

For instance, the 230-kilometer-long Lahore-Abdul Hakeem Motorway M-3 and the 392-kilometer-long Multan-Sukkur Motorway (M-5) have been completed and inaugurated.

Senior officials from Pakistani and Chinese governments attended the Multan-Sukkur Motorway during 9th JCC Meeting of CPEC in November 2019. In the same month, Prime Minister Imran Khan attended the inauguration of Havelian Mansehra Section of KKH Phase II (Thakot - Havelian Section) at Havelian.

In terms of energy project, the Prime Minister Imran Khan also inaugurated the 1,320 MW China Hub Power Generation Plant at Hub, Baluchistan. While, Hakla D.I Khan Motorway (285 Km) has most of its work completed so far.

In 2019, the New Gwadar International Airport has made important progress. There was a groundbreaking ceremony of the Airport in March, and its construction work started in October.

In Gwadar, the 300 MW Coal Power plant, Faqeer Middle School Expansion Project and Gwadar Port Authority Commercial Complex Project all started construction.

The successful completion of phase I of CPEC projects in 2019 had set a strong foundation for its phase II, which would focus on the development of Special Economic Zones (SEZ), strengthening trade and cultural ties through joint ventures and exchange of delegations.

The second phase of China Pakistan Free Trade Agreement (CPFTA) also developed in 2019 as both the countries completed the legal procedures and formalities to implement the agreement. Under the agreement China granted duty-free access for export of 313 goods, which is expected to help increase exports by tapping Pakistan's potential in agriculture, textile, food, minerals, engineering, and other sectors.

Practices in the past five years have proved that the CPEC construction is not targeting specific regions or groups, but for the whole country of Pakistan and to benefit all the people of Pakistan.

CPEC is a win-win model and past few years have proved that if something is done with sincerity and good intentions, result definitely come as desired. Hopes must be kept high that in coming year 2020 and years after, this CPEC will surely prove a fate changer to Pakistan.

<https://www.thenews.com.pk/print/591782-cpec-moves-successfully-as-year-2019-ends>

**January 02, 2020**

**Business Recorder**

**27 projects identified for joint cooperation under CPEC**

KARACHI: As many as 27 projects have been identified for joint cooperation in socio-economic component of China-Pakistan Economic Corridor (CPEC).

Out of these 27 projects, 17 are fast track projects and ten are priority projects in the socio-economic component of CPEC and have been agreed by China and Pakistan.

The socio-economic component has been categorized in the various sectors, i.e., agriculture, education, medical, poverty alleviation, water supply and vocational education etc.

China-Pakistan Joint Agriculture Technology Laboratory, provision of agricultural equipment and tools, China-Pakistan Joint Agricultural Demonstration Station, Bacterial Grass (JunCao) Technology Training and Promotion Project and Pakistan Agricultural Vocational Training are projects in agriculture sector.

Provision of advanced teaching equipment for primary and secondary schools project, smart classroom project for higher education, maintenance and renovation for approximately 50 schools in newly merged districts, overseas student scholarship programme are included in the education sector.

Provision of medical equipment and materials, Gwadar hospital project, provision of vaccine storage & transportation equipment, “Brightness Journey” in Pakistan, burn center projects, China-Pakistan Joint Telemedicine network, medical emergency centers in Baluchistan are part of medical sector of the socio-economic component.

The poverty alleviation projects are Baluchistan solar powered lighting equipment, poverty alleviation training courses, provision of emergency relief supplies for enhancing NDMA disaster preparedness capacity at Islamabad and Karachi, China-Pakistan rural poverty reduction joint research project.

Drinking water supply equipment and Gwadar desalination plant are included in water supply sector.

Pakistan vocational schools equipment, upgrading & renovation project, Pakistan vocational & technical education capacity buildup project (Teacher Training), Gwadar vocational & technical school project, cooperative project with Pak-Austria Fachhochschule: Institute of Applied Sciences & Technology and Punjab-Tianjin University Technology Project are part of vocational training sector.

<https://www.brecorder.com/2020/01/02/558131/two-7-projects-identified-for-joint-cooperation-under-cpec/>

## **Pakistan Observer**

### **Pakistan's 'exports to rise substantially' to China SRO issued to launch Phase-II of Pak-China FTA**

Phase two of the much-touted China-Pakistan Free Trade Agreement came into effect as of Wednesday, said a trade official. The new phase will allow Pakistani manufacturers and traders to export around 313 new products to the Chinese market with zero duties, Secretary Ministry of Commerce Ahmad Nawaz Sukhera said in a tweet. The implementation of the agreement's second phase, he said, would make 90% of China's global imports duty-free for Pakistan. "Confident that it will help our exports increase substantially," he added. Beijing earlier approved premature activation of the second phase of the pact with Islamabad, signed during Prime Minister Imran Khan's visit to China last April. Pakistan is already enjoying zero duties on exports of 724 products to China under the first free trade pact signed between the two countries in 2006. After implementation of the second pact, Pakistan has been allowed to export more than 1,000 products to China with zero duties. The new facility will particularly benefit the agriculture, leather, confectionery items, and biscuits product sectors as well. Last year, Islamabad signed an agreement with Beijing to use Chinese currency for bilateral trade to get rid of the dollar burden in \$15 billion bilateral trade. According to official data, Pakistan and China's bilateral trade volume grew to reach some \$15.6 billion in the 2019 fiscal year, up from \$2.2 billion in 2005. The two longtime allies are also partners in the multi-billion-dollar China-Pakistan Economic Corridor (CPEC), part of China's Belt and Road Initiative, an ambitious project to connect Asia with Africa and Europe via land and maritime networks to boost trade and stimulate economic growth. The \$64 billion mega-project signed in 2014 aims to connect China's strategically important northwestern Xinjiang province to the Gwadar port in southern Pakistan through a network of roads, railways, and pipelines to transport cargo, oil, and gas. The economic corridor will not only provide China with cheaper access to Africa and Middle East but will also earn Pakistan billions of dollars for providing transit facilities to the world's second-largest economy.

<https://pakobserver.net/pakistans-exports-to-rise-substantially-to-china-sro-issued-to-launch-phase-ii-of-pak-china-fta/>

### **Looking forward to a New Chapter of China-Pakistan Friendship**

As time flies, we are in the year of 2020. At this wonderful moment of welcoming the third decade of the 21st century, I, on behalf of the Embassy of the People's Republic of China in Pakistan, would like to extend my sincere New Year greetings to all Pakistani friends. The year 2019 is of great historic significance for China's development. Over 1.4 billion Chinese people celebrated the 70th anniversary of the founding of the PRC. Over the past 70 years, under the strong leadership of the Communist Party of China, we adhere to the path of socialism with Chinese characteristics, and have scored remarkable achievements. China's GDP has broken

through the threshold of 90 trillion RMB (13.6 trillion USD) in 2018, a great leap forward from over 60 billion RMB (12.3 billion USD) in 1949. The GDP per capita has increased from 119 Yuan (23 dollars) to 64644 Yuan (9732 dollars). China now stands firmly as the world's second largest economy. Over 700 million people have been lifted out of poverty. In 2019, China fulfilled its international responsibility and injected positive energy into the international community. With major changes undergoing in the world, China adheres to the principles of peaceful coexistence and win-win cooperation, holds high the banner of multilateralism, stabilizes relations with major powers, vigorously promotes mutually beneficial cooperation with neighboring and developing countries, continues to lead the global governance process, and actively promotes regional peace and stability. China successfully hosted the second 'Belt and Road' Forum for International Cooperation, and advocated for open, green, and inclusive development with a view to achieve a high-quality and high-standard cooperation under the 'Belt and Road Initiative' with people's well-being at focus. On the complicated international stage, China has become the mainstay for maintaining world peace and stability, and the main force for promoting global development and prosperity. 2019 is also a year of great development of China-Pakistan relations. This year, Prime Minister Imran Khan visited China twice and met with President Xi Jinping three times. The two sides exchanged experience and ideas on building a closer China-Pakistan community of shared future in the new era as well as jointly constructing the Belt and Road with high quality, and made a series of significant achievements. Over the year of 2019, we have strengthened our mutual trust, mutual understanding and supported each other on issues related to our core interests. China firmly supports Pakistan in safeguarding its national sovereignty, territorial integrity and security, and highly commends Pakistan's efforts to combat terrorism and extremism. China and Pakistan jointly safeguard the important role of the UN Charter in international relations, oppose unilateralism and bullying, uphold international justice, and promote regional peace and stability. Over the year, we have deepened bilateral cooperation in various fields and connected the Belt and Road Initiative with the 'Naya Pakistan' vision. The China-Pakistan Economic Corridor (CPEC) has progressed smoothly. We focused on social-economic, industrial and agricultural cooperation. We have finalized 27 priority projects of social development under the CPEC, of which 17 will be launched in the first half of 2020. The second phase of the Free Trade Agreement between China and Pakistan comes into effect on January 1, 2020, and Pakistan's exporting products such as leather, cotton and garment products will enjoy zero-tariff entry into China's market. A large number of Chinese enterprises have actively invested and established branches in Pakistan, covering textile processing, tire manufacturing, motorcycle production, agricultural plantation, steel and etc. It will help Pakistan to enhance its manufacturing and exporting capacity, and bring more job opportunities. Over the year, we have promoted people-to-people exchanges and continued to strengthen the foundation of friendship between the two countries. 2019 is the year of Sino-Pak local cooperation and we have established 16 local-to-local partnerships. We have imported Pakistani films like 'Parwaaz Hai Junoon', provided training for Pakistani table tennis team in China and invited Pakistani cricket team to visit China. At present, 5 universities in Pakistan have

established Confucius Institutes, and 58 universities have joined the CPEC University Consortium. Nearly 30,000 Pakistani students are studying in China with more than 7,000 scholarships.

2020 will be a landmark year of the great rejuvenation of the Chinese nation. China will complete its thirteenth Five-Year Plan, eliminate absolute poverty completely, build a moderately prosperous society in all respects, 2020 will also be a historical year to usher in a new chapter of win-win cooperation between China and Pakistan. As an iron brother, Pakistan will always be the prior partner in China's external relations. China and Pakistan will strengthen mutual support and strategic cooperation. As good neighbors, good friends, good partners and good brothers who share weal and woe, we will continue to build upon our mutual trust with the guidance of high-level exchanges, deepen coordination and cooperation on major strategic issues, promote exchanges of governance experience, support each other on issues involving our respective core interests and major concerns, firmly safeguard sovereignty, territorial integrity and national dignity. China and Pakistan will enhance cooperation to achieve common development. We continue to promote the high-quality development of the CPEC. We will deepen cooperation in trade and investment, support the development of manufacturing industry in Pakistan, increase employment and expand exports, and help Pakistan to accelerate integration into the international industrial chain. China would like to increase technology transfer to Pakistan and expand cooperation with Pakistan in areas such as environmental protection, climate change and water resources management. China and Pakistan will encourage more people-to-people contacts. In 2020, China will provide 1,800 training opportunities to Pakistan, help build and upgrade more than 50 schools, 50 vocational training centers and 30 hospitals in all areas of Pakistan. We will provide 20,000 scholarships for Pakistan students in the next 3 years. Both sides will hold the 2nd Forum on local-to-local Cooperation between China and Pakistan and carry out more cultural activities. China welcomes more Pakistani friends to visit China, learn more about Chinese culture and promote mutual understanding between two civilizations. China and Pakistan will consolidate international cooperation to work for regional peace. The two countries will strengthen coordination and cooperation on major international and regional issues, jointly safeguard the purposes and principles of the UN Charter, support multilateralism and win-win cooperation, and highlight the representation and voice of developing countries on international affairs. Quaid-e-Azam Muhammad Ali Jinnah, the founding father of Pakistan once observed that, only through united efforts can we turn our ideals into reality. Today, China and Pakistan both shoulder the historic mission of achieving national rejuvenation and realizing the great dream of building a prosperous country and a better society. Let's work together to seize the opportunities, overcome the challenges, pursue common development and build upon the China-Pakistan all-weather strategic cooperative partnership forwards a China-Pakistan community of shared future. May Pakistan enjoy prosperity!

<https://pakobserver.net/looking-forward-to-a-new-chapter-of-china-pakistan-friendship/>

## The Express Tribune

### **With Chinese help: Govt to focus on research to boost crop yields**

ISLAMABAD: The government, in cooperation with China, is focusing on research to enhance the yield of various crops, including cotton, as 60% of the country's exports were related to the latter, said Prime Minister Imran Khan.

Talking to a delegation of the All Pakistan Textile Mills Association (Aptma), which called on him on Wednesday, the prime minister said cotton was an important crop of Pakistan and its produce created economic and job opportunities in the country.

He stressed for strict action against the mafias involved in the adulteration of pesticides and seed varieties. The prime minister, on the suggestion of the delegation, directed the Commerce Division to appoint a focal person to look after the matters relating to cotton production.

He also directed for consideration of proposals regarding amendments in the Seed Act and the allocation of cotton seeds for the research relating to the cotton crop. The process of registration of seeds of various varieties and tax refunds should be made easy, the prime minister added.

<https://tribune.com.pk/story/2128790/2-chinese-help-govt-focus-research-boost-crop-yields/>

## The News

### **Chinese national beats traffic police officer over 'no parking' ticket**

KARACHI: A Chinese national allegedly assaulted a traffic police officer after being charged with a no-parking offense, police said Wednesday. The Chinese citizen reportedly beat the officer near the Qayyumabad area of Karachi and severely injured the officer to the extent that the officer had to be taken to a nearby hospital. The foreigner who was involved in the violent incident has been arrested. The Chinese national was travelling with a driver, who said he was following his employer's orders. "I had parked the car in a no parking zone," admitted the driver. "The officer had asked me to remove the car, however my employer [Chinese national] did not let me," he added.

The driver said that the assault came as a response to the traffic police, who tried to remove the car forcefully.

"The traffic police began to take the car away using a lifter, after which my employer started beating the officer badly.

<https://www.thenews.com.pk/print/592224-chinese-national-beats-traffic-police-officer-over-no-parking-ticket>

**January 03, 2020**

**Pakistan Observer**

**China to provide 1800 training opportunities to Pakistani: Yao Jing**

China will provide 1800 training opportunities to Pakistan, help build and upgrade more than 50 schools, 50 vocational training centers and 30 hospitals in all areas of Pakistan. Besides this, China will provide 20,000 scholarships for Pakistan students in the next 3 years, in order to strengthen their cooperative partnership in the social sector, this was stated by Chinese ambassador to Pakistan Yao Jing, while highlighting Sino-Pak growing relations in the recent years.

Nearly 30,000 Pakistani students are studying in China with more than 7,000 scholarships. At present, 5 universities in Pakistan have established Confucius Institutes, and 58 universities have joined the CPEC University Consortium, he added. Over the year of 2019, Ambassador Yao Jing said, they have strengthened mutual trust, mutual understanding and supported each other on issues related to our core interests. China firmly supports Pakistan in safeguarding its national sovereignty, territorial integrity and security, and highly commends Pakistan's efforts to combat terrorism and extremism. China and Pakistan jointly safeguard the important role of the UN Charter in international relations, oppose unilateralism and bullying, uphold international justice, and promote regional peace and stability. Over the year, we have deepened bilateral cooperation in various fields and connected the Belt and Road Initiative with the 'Naya Pakistan' vision. The China-Pakistan Economic Corridor (CPEC) has progressed smoothly. We focused on social-economic, industrial and agricultural cooperation. "We have finalized 27 priority projects of social development under the CPEC, of which 17 will be launched in the first half of 2020. The second phase of the Free Trade Agreement between China and Pakistan comes into effect on January 1, 2020, and Pakistan's exporting products such as leather, cotton and garment products will enjoy zero-tariff entry into China's market. A large number of Chinese enterprises have actively invested and established branches in Pakistan. Over the year, they have promoted people-to-people exchanges and continued to strengthen the foundation of friendship between the two countries. 2019 is the year of Sino-Pak local cooperation and we have established 16 local-to-local partnerships. We have imported Pakistani films like 'Parwaaz Hai Junoon', provided training for Pakistani table tennis team in China and invited Pakistani cricket team to visit China. 2020 will be a landmark year of the great rejuvenation of the Chinese nation. China will complete its thirteenth Five-Year Plan, eliminate absolute poverty completely, build a moderately prosperous society in all respects, 2020 will also be a historical year to usher in a new chapter of win-win cooperation between China and Pakistan. As an iron brother, Pakistan will always be the prior partner in China's external relations. China and Pakistan will strengthen mutual support and strategic cooperation. As good neighbors, good friends, good partners and good brothers who share weal and woe. Both sides will hold the 2nd Forum on local-to-local Cooperation between China and Pakistan and carry out more cultural activities. China welcomes

more Pakistani friends to visit China, learn more about Chinese culture and promote mutual understanding between two civilizations. The two countries will strengthen coordination and cooperation on major international and regional issues, jointly safeguard the purposes and principles of the UN Charter, support multilateralism and win-win cooperation, and highlight the representation and voice of developing countries on international affairs," the ambassador added.

<https://pakobserver.net/china-to-provide-1800-training-opportunities-to-pakistani-yao-jing/>

## **The Nation**

### **PM Khan inaugurates Allama Iqbal 'industrial city' under CPEC**

Pakistani Prime Minister Imran Khan inaugurated the Allama Iqbal Industrial City, a special economic zone (SEZ) under the China-Pakistan Economic Corridor (CPEC) in the east Faisalabad city on Friday, the prime minister's office said.

Addressing the groundbreaking ceremony of the SEZ, the prime minister termed CPEC as a golden opportunity for industrial development of Pakistan and the SEZ the first step towards the prosperous future of his country.

China is Pakistan's close friend, and it is developing with leaps and bounds in every field, he said, adding that Pakistan has a great opportunity to make progress by learning from China, and diversifying CPEC by developing industrial and agricultural sectors to boost economic cooperation with China.

"Many Chinese industrialists want to invest in Pakistan. I met many Chinese businessmen during my visit to China last year and they showed keen interest in investing here provided we give them suitable environment. This SEZ will provide that environment to them and give them confidence to relocate their industries in Pakistan."

Lauding Chinese investors, Khan said that they will not only invest in Pakistan, but also transfer technology to the country by relocating their industries which will help Pakistani people get trained in using modern technology.

Talking about the rising number of unemployed youth in his country, the prime minister said that the industrialization process in the country will also open employment opportunities for the youth.

"Pakistan needs to have intensive industrialization to increase its exports for wealth creation. The unemployment problem cannot be solved only by the country's agro-based economy. We need industries to shoulder this responsibility."

Citing China's example to bring out a large number of people from poverty through wealth creation, Khan said his country also wants to follow the same model, and Pakistani officials had several briefings by Chinese on poverty alleviation, during their visit to China.

"We want to do exactly what China did. We want to create wealth by increasing our exports and spending the generated revenues on the poor strata of the society."

According to the ruling party Pakistan Tehreek-e-Insaf's official Twitter account, the Allama Iqbal Industrial City is likely to have investment of 400 billion Pakistani rupees (about 2.58 bln U.S. dollars), and create 300,000 direct and 1 million indirect employments.

The SEZ is likely to have more than 557 industries in various sectors including integrated textile, food processing, construction material, pharmaceutical, automobiles, and steel. So far committed investment in the SEZ amounts to more than 1 billion U.S. dollars including 204 million U.S. dollars local investment, the ruling party stated.

The SEZ is one of the nine SEZs planned to be built under CPEC across Pakistan. The SEZs are quoted as lifelines of Pakistan's industrial development by Pakistani officials as they are likely to create over 2 million employments across the country, besides enhancing exports and uplifting several potential sectors of the country.

<https://nation.com.pk/03-Jan-2020/pakistan-establishes-allama-iqbal-industrial-city>

## The News

### **Chinese bank working on long-term plan supporting Pakistan**

BEIJING: China Development Bank made the Long Term Plan for China-Pakistan Economic Corridor on behalf of the government of China, listing planned particulars for numerous opportunities of collaboration and venture including agriculture.

Of all the fields of cooperation in agricultural growth and poverty reduction, the chief ones are escalation and advancement of agricultural infrastructure. According to the Long Term Plan, both parties will improve the building of water assets and water saving methods, and yielding terrain of medium and low quality will be remediated to fully reach utilization of assets.

Besides, technological barter and collaboration in the areas such as harvest seed renewal, livestock and poultry breeding, breeding and production expertise, agricultural goods transform, animal & plant pandemic preclusion & control, mechanization and ICT in agriculture will be upgraded. It is also planned to improve the deep processing industry, stockpile and shipping, sophisticated advertising and trade forms of agro-products.

Pakistan and China will combine efforts to tackle with problems including flood, desertification and overgrazing. To advance in agricultural performance, it is the production of pesticides, fertilizers and equipment that matters. What is more, the farmers will have chance to study agricultural theory and skills. Cooperation in fisheries, horticulture and livestock medication and vaccination is also one of the main fields enclosed in the Long Term Plan. Specially, China intends to build up some phases of the value chain, and measures will be taken to better manage pre harvest actions. On top of that, to achieve yield improvement, agricultural actions will be updated by directing agriculturists on agricultural mechanization.

A leasing center will be built in Punjab to advance drip irrigation under plastic film and further water saving agricultural methods. Sheltered farming will also be introduced to boost agricultural output. A plant and animal disease prevention and control system is planned to set up in Faisalabad and Lahore to reinforce Research & Development in vision of the present cotton leaf roll virus and other plant viral infections. Post yield activities, as well as stockpile, shipping and agricultural processing will also be improved. Depot and logistics services in Islamabad and Lahore will be improved to build up a stockpile and logistics set-up linking cities and wrapping the region within the China Pakistan Economic Corridor.

To develop agricultural processing capability, up-to-the-minute agricultural goods processing machines and services will be supplied to the processing entities. It is also planned to build up agricultural trade points around Islamabad and Lahore to make a processing base by global standards. The procedures mentioned above will make breakthrough when it comes to post-harvest conduct and processing of agriculture.

The Belt and Road Initiative (B&R) is a fundamental element of China's "Go globally" strategy. Initiated by President Xi Jinping in 2013, it delivers tangible benefits to over 65 states. The plan's focal point is to structure an international infrastructure set-up by enhancing and making business paths, connections and trade prospects with China through 2 major routes, the 21st-century Maritime Silk Road and the Silk Road Economic Belt. Both Pakistan and China could benefit from the CPEC, for China may benefit from the low expenditure manufacture assets presented in Pakistan, and Pakistan may gain advantage from the machinery, expertise and investment from China, reports Gwadar Pro App.

<https://www.thenews.com.pk/print/592776-chinese-bank-working-on-long-term-plan-supporting-pakistan>

### **CPEC: phases and challenges**

The China-Pakistan Economic Corridor (CPEC) is widely considered a turning point for both Pakistan and the region. It is an important stimulus for Pakistan, and promises rapid economic growth, massive infrastructure development, 700,000 new jobs in the next ten or fifteen years and the creation of special economic zones along the way.

After four years of Phase I of CPEC, Pakistan is now ready to enter Phase II. Some 27 projects are planned within the framework of Phase II. This phase emphasizes industrial cooperation, agricultural development and trade promotion. The tourism sector is also expected to expand during this phase. These initiatives are very promising for the expansion of job opportunities for local residents. The agricultural and tourism industries are considered the backbone of future growth.

But the key question remains unanswered: is Pakistan ready to reap the potential benefits of CPEC? Does Pakistan have enough soft infrastructures to attract investments in the industrial sector, especially in the special economic zones (SEZs)? It is clear that Pakistan may not have developed the fundamentals needed to realize all the benefits of Phase II of CPEC.

There are three prerequisites that are needed to reap the potential benefits of industrialization and tourism: human capital (HC), rural connectivity (RC) and a business environment (BE) that will

attract foreign direct investment (FDI) and tourists. The current status of these prerequisites is poor.

First, the situation of human capital (HC) is lagging in Pakistan compared to other regional countries. HC has a large payoff for economic growth: between 10 and 30 percent of the differences in per capita income are attributable to cross-country differences in human capital.

The HC indicators, particularly education and health, show miserable progress in Pakistan compared to the rest of the South Asian region. According to the 2019 Human Development Report, Pakistan's human capital index (HCI) was below average by region and income group. Pakistan ranked 152, while India ranked 129, Bangladesh 135 and Sri Lanka 71 of the 189 countries. Pakistan has one of the lowest rates, within the region, of female participation in the workforce.

Second, local road and transportation networks are underdeveloped. Well-developed rural roads are needed to connect growth-generating sectors in different regions and achieve a wider distribution of economic benefits. They are also a prerequisite to the development of remote and/or environmentally difficult areas. Infrastructure investments in rural areas lead to higher farm and non-farm productivity, employment and incomes. Rural connectivity with SEZs is key to creating opportunities for the poor to raise their economic status – a precursor of inclusive growth.

Nationally, approximately 60 percent of the Mouza (a type of administrative region similar to a town) are less than a kilometer from a sealed road and 67 percent of the Mouza have good transport connections on the same radius. But in CPEC districts, road and transport connectivity is woeful: only 4 percent and 23 percent of the Mouza in Kohistan, for example, have road and transport connectivity respectively; and the story is similar in other districts.

Third, FDI inflows are constrained by an unfavorable business environment. According to the Doing Business 2020 report, Pakistan ranked 110 out of 190 economies in terms of doing business, improving 11 notches from the Doing Business 2019, while India ranked 63, Nepal 94 and Sri Lanka 99. Even within South Asia, Pakistan ranked fifth out of eight countries. Indicator-wise data reveals that getting electricity (ranked 123), paying taxes (ranked 161), trading across borders (ranked 111) and enforcing contracts (ranked 156) are the most seriously low-performing indicators.

In order to improve upon the indicators, institutional frameworks – such as political stability and an independent legal system – play an imperative role. Unsurprisingly, the quality of institutional frameworks in Pakistan is very poor. Pakistan is in the third percentile for political stability and absence of violence or terrorism, where 0 is the least desirable and 100 the most desirable rank, according to data from the World Governance Indicator by the World Bank 2019.

South Asia as a region ranked in the 29th percentile, compared with Europe and Central Asia (ECA) that is ranked 62nd and East Asia Pacific (EAP) that is ranked 66th. In the government effectiveness indicator, Pakistan ranked in the 26th percentile while South Asia and ECA are in the 36th and 69th percentiles, respectively. In control-of-corruption indicators, Pakistan ranked

in the 23rd percentile while South Asia and ECA are in the 34th and 63rd percentiles respectively. The situation is similar for rule of law and regulatory quality indicators.

To maximize the potential benefits of CPEC, Pakistan needs to improve upon the three prerequisites, in all of which it is currently underperforming. First, Pakistan needs to invest in development institutions that require restructuring to improve legal frameworks, to implement rule of law and to ensure political stability. Political stability would be critical to the success of any developmental project and accountability process. While political instability undermines growth processes, it creates investment uncertainties, discourages international investors and demotivates tourists.

The government is making concentrated efforts to implement reforms and positive impacts on the ease of doing business, where there is some good news. However, these reforms may not produce the desired results until we have a stable political environment to promote government effectiveness.

Second, the development of local road and transport systems should be part of the CPEC agenda. Without creating local connectivity, the roads and SEZs may not produce the desired economic growth and employment. Provincial governments should actively plan and develop local roads and transportation networks.

Third, the development of human capital through formal education and technical training should be streamlined, especially in deprived districts. The government should design area-specific training courses to cater to local needs. For this purpose, an assessment study can be conducted to understand local needs and business opportunities. Despite having a basic education, we lack the professionalism to provide services efficiently. Therefore, in addition to the amount of education, it is necessary to focus the quality of education to produce professionals in all sectors. Without the implementation of an integrated institutional framework, establishment of a local road and transport network or developing area-specific human capital, the fruits of Phase II of CPEC may never materialize.

The writer is associate professor at the Pakistan Institute of Development Economics (PIDE).

<https://www.thenews.com.pk/print/592658-cpec-phases-and-challenges>

**January 04, 2020**

**Business Recorder**

### **ML-1 project under CPEC: Government to hire consultant**

The government has decided to hire international consultant/firm to scrutinize the financial and technical design of Pakistan Railways' Main Line (ML-1) project, worth around \$9.23 billion, under the China-Pakistan Economic Corridor (CPEC).

This was confirmed by Federal Minister for Planning and Development Asad Umar in an exclusive talk with Business Recorder here on Friday. The Minister did not rule out further delay

in project implementation as billions of dollars' worth of investment requires proper groundwork to remove flaws, if any, and avoid damages in the long term.

He further said that the \$9.23 billion may not be the final cost of ML-1 as it is based on preliminary design/feasibility study. The cost would be finalized once the contract is awarded, Umar added. Before granting final approval of the project, the government wants to determine financial and technical flaws, if any, and the capacity of Railways to conceive such a huge project.

Railways Minister Sheikh Rashid Ahmed had announced at a press conference on October 24, 2019 that Pakistan Railways submitted PC-1 of ML-1 project worth around \$9.23 billion, under CPEC framework to the Planning Ministry for approval. After getting approval from Executive Committee of the National Economic Council (ECNEC), tender of the project would be issued and work on the project would be initiated in March 2020.

Sources in the Railways Ministry revealed that Planning Ministry has asked for preliminary design/drawing however it is not informed about hiring of a consultancy firm. Sources further said that it would definitely delay the project implementation, if government goes for hiring a consultant.

The official further said that PC-1 was submitted to the Planning Ministry back in October 2019, but is yet to be considered by Central Development Working Party (CDWP) and ECNEC. The PC-1 approval is necessary for bidding process, commercial contract and financial close. After getting approval of the PC-1 from the Ministry of Planning and Development, the government will deliberate with Chinese authorities for financing the project. Pakistan wants China to take on the \$9.23 billion ML-1 project, which is declared a strategic project under CPEC, on soft loan terms.

Railways Minister repeatedly raised the issue of a delay in ML-1 in cabinet meetings as well as with Prime Minister Imran Khan, said the official, adding that the project may go to next financial year if government goes for hiring a consultant/firm. Railways Ministry senior officials contested several times before parliamentary panels that in case ML-1 is delayed it will have serious implications for Pakistan Railways, adding that cost of the project is also likely to go up with delays.

Railways project will consist of early harvest - ML-1 upgrade and establishment of dry port - mid-term - establishing new rail link from Gwadar to Mastung and Besima to Jacobabad and long-term, establishing new rail link from Havelian to Khunjrab (China border).

<https://www.brecorder.com/2020/01/04/558995/ml-1-project-under-cpec-government-to-hire-consultant/>

## Daily Times

### **Foreign speculations of CPEC**

*Hanan R Hussain*

Washington's critique of the China Pakistan Economic Corridor is becoming a bit predictable. Alice Wells, top U.S. diplomat for South Asia, reiterated the Trump leadership's long-term position on CPEC last month: aid is an illusion, Pakistan is headed for a debt trap, and Beijing will consolidate all profits. Interestingly, what began as a warning quickly transpired into a proposition: U.S. multinational engagement in Pakistan should increase. As long as Washington overlooks key consistencies in Sino-Pak bilateral engagement, it is unlikely that its view on CPEC will make gains with Islamabad.

First, Pakistan's repayments to China are stretched over a 20 year period, a timeline aligned with the corridor's prospective operations. According to official documents with the Ministry of Planning, total payments amount to \$39 billion where \$28 billion accounts for infrastructure and energy projects, and \$11 billion accounts for dividends (a sum extracted out of profits). These specifics directly contest Ms. Well's assertion that "bulk of payments start to come due in the next four to six years", and that "the corridor is going to take a growing toll on the Pakistan economy."

Interestingly, many within the Trump administration are of the view that Pakistan is pushing itself into a "client-state" spot with Beijing. This view stems from the fact that Beijing is the chief financier in the initiative, and thus, entitled to asymmetrical leverage

Moreover, what escapes American discourse frequently is how Pakistan and China manage their deferrals. For instance, many of the deferred project investments under CPEC are marked by concessionary loans an adaptive measure designed to suit Pakistan's revenue generation limitations. Same is the case with bilateral loans and grants. Beijing has pushed across billions this year to bolster Islamabad's dwindling cash reserves and socio-economic challenges. This judicious tailoring of Chinese investments to Pakistan's economic limitations, has been a long-standing hallmark of Sino-Pak cooperation a trend largely absents in Pakistan's experience with the U.S.

Interestingly, many within the Trump administration are of the view that Pakistan is pushing itself into a "client-state" spot with Beijing. This view stems from the fact that Beijing is the chief financier in the initiative, and thus, entitled to asymmetrical leverage. What the view fails to consider, is the fact that the corridor's development is itself an attempt to upgrade Pakistan's revenue generation capacities.

Nonetheless, Thursday's remarks should not strike Islamabad as a total surprise. The Trump administration has argued its case on CPEC far more erroneously in the past. Last year, U.S. Secretary of State Mike Pompeo alleged that Pakistan's pursuit for an IMF bailout package was actually an attempt to payback Chinese loans. There's no rationale for IMF tax dollars, and

associated with that American dollars that are part of the IMF funding, for those to go to bail out Chinese bondholders or China itself”, said Pompeo. The allegations, confirmed by the IMF as false, were a direct reference to Chinese investments under the corridor. Earlier, Former State Secretary Rex Tillerson went on record to question the financial structure of projects under CPEC. Another odd probe into an inherently bilateral settlement.

President Trump has been very open about America’s own reservations with China. At the UN, he accused Beijing of undermining free trade through tactics of currency manipulation, forced technology transfers, and massive market barriers. All these fit into Mr. Trump’s self-initiated trade war with Beijing, designed to boost his protectionist domestic image.

The understanding now is that Islamabad too should embrace some of these protectionist policies towards Beijing: “CPEC relies primarily on Chinese workers and supplies, even amid rising unemployment in Pakistan,” warned Ms. Wells last November. The remark enjoys strong parallels with President Trump’s February State of the Union address, alleging” Chinese theft” of American jobs.

Thus, Washington’s view that CPEC is destined to backfire appears unconvincing on many counts. Little suggests that Chinese investment has been dismissive of Pakistan’s economic challenges in the past, or that Pakistan prefers cynical approach to regional connectivity and integration in its neighborhood.

<https://dailytimes.com.pk/532651/foreign-speculations-of-cpec-daily-times/>

## **CPEC opportunities and risks**

*Naveed Aman Khan*

The China Pakistan Economic Corridor (CPEC), launched in 2015, is a game changer for Pakistan’s ailing economy. But some opaque plans for the corridor, the upheaval likely to affect the locals along its route, and profits flowing mostly to outsiders could stir unrest. The government has repressed CPEC critics.

CPEC could help revive Pakistan’s economy. But if it moves ahead without a more thorough debate in parliament and provincial legislatures and consultation with locals, it will deepen the friction between the center and the periphery, roil provinces already long neglected, widen social divides, and potentially create new sources of conflict.

The Imran Khan government should encourage a debate about CPEC; consult with business leaders, civil society and the affected locals; ensure that landowners receive a fair compensation; encourage hiring of local labor and allow space for dissent. Chinese companies should also support such measures.

Envisaged in mid-2013 and launched in April 2015, CPEC, a set of projects under China’s Belt and Road Initiative, marks a new era of economic ties in a bilateral relationship historically defined by security cooperation. Pakistan’s economy clearly needs reform to better serve its

people. CPEC will help in this regard. But as currently rolled out, the corridor risks aggravating political tension, widening social divides and generating new sources of conflict in Pakistan. The government should mitigate these risks by being more transparent about CPEC plans, consulting all stakeholders, including smaller provinces, the business community and civil society, and addressing concerns that the corridor subordinates Pakistan's interests to those of China.

For its part, China also should consult stakeholders in regions that will host CPEC projects it agrees upon with Pakistan. It should encourage Chinese companies to display sensitivity to residents of those areas, including by hiring local labor. CPEC, which comprises loans, investments and grants that could grow to around US \$60 billion, travels a 2,700 km route. It starts on the Pakistani Arabian seaport of Gwadar, in Baluchistan province, climbs along the Karakoram Highway through the Khunjerab pass in Gilgit-Baltistan, before crossing into the Kashgar prefecture in China's Xinjiang region. Within Pakistan's territory, the economic and development project prioritizes transport infrastructure, industrial development, energy and Baluchistan's strategically located Gwadar port. Agricultural modernization and production form another critical component.

The Pakistan Muslim League-Nawaz government, which came to power in 2013 and stepped down on May 31, 2018, depicted CPEC as a leap forward both in relations with China and for the country's economic development. Contenders to national office from across the political spectrum have broadly endorsed this view. Yet some high level officials and prominent voices in the Pakistani business sector are concerned about the failure to protect local economic interests, high guaranteed returns on equity to Chinese investors and unaffordable national debt.

While it is too early to assess if CPEC can deliver the economic gains Pakistan promises, the project risks inflaming longstanding tensions between the center and the smaller federal units and within provinces over inequitable economic development and resource distribution. Less-developed federal units such as Baluchistan and Sindh contend that the corridor's route, infrastructure and industrial projects will mostly benefit Punjab, already the country's wealthiest and politically powerful province. Yet, even in Punjab, locals could forcibly resist the state's acquisition of land for CPEC's agricultural projects.

In Baluchistan, CPEC is exacerbating existing grievances among a population whose perceptions of exploitation and neglect by the center, together with authorities' suppression of dissent, have long fueled an insurgency. The province will receive no direct financial benefits from the Gwadar port, a key CPEC project, which means local anger at the center is likely to intensify.

Instead of developing a sleepy fishing village into a bustling commercial hub as pledged by Pakistan and China, the project is producing a heavily militarized zone, displacing locals and depriving them of economic lifelines. In the Tharparkar district of the Sindh province, coal based CPEC power projects are not only damaging the environment but are also displacing locals from their homes and could destroy livelihoods.

For all the risks and challenges, CPEC offers an opportunity to upgrade Pakistan's aging and dysfunctional infrastructure and revive a flagging economy.

Many of these problems stem from an opaque policy formulation, and the failure to heed regional and local concerns. CPEC's Long Term Plan (2017-2030) was formulated by the center with little input from local leaders, business or civil society actors. It was not disclosed until December 2017 and in broad strokes after the rollout of some major elements had already begun. From CPEC's entry point, Gwadar, to its exit point, in Gilgit-Baltistan, the state's response to local dissent and alienation has been an overbearing security presence, marked by army checkpoints, intimidation and harassment of local residents, and crackdowns on anti CPEC protests.

Perceived geopolitical gains could also take precedence over economic ones. Pakistan's military establishment views a deeper economic relationship with China, even if tilted in China's favor, as a counterpoint to rising US diplomatic and economic pressure to end support to Afghanistan and India oriented militant proxies. But as it expands its economic footprint in the country, China, too, seems increasingly concerned about the threats posed by such proxies to its national and regional security interests.

Unequal gains, combined with perceptions that CPEC projects undermine the economic, social and political interests of key stakeholders, could aggravate anti-Chinese sentiment within Pakistan. There have already been several attacks on Pakistanis employed in CPEC projects. Pakistan should ensure that CPEC's directions and priorities address the country's economic and political interests, including by taking the following steps:

Build political consensus on the project's direction, including by fostering debates in the national and provincial legislatures, to ensure that there are equitable gains for all provinces, and stop arrests, harassment and other coercion of critics. Consult economists, chambers of commerce, the Pakistan Business Council, trade associations and other business community stakeholders, and incorporate measures to address their concerns in a new framework for CPEC special economic zones and development projects. Hire local labor and ensure that CPEC projects apply labor protections and practices. Consult extensively with local communities about the potential costs and benefits of major development projects and devise an appropriate compensation and resettlement plan for all those displaced, including not just formal landowners but also those with the informal land ownership common across Pakistan.

If needed, parliament should consider relevant reforms to the 1894 Land Acquisition Act. Chinese firms should consult and engage the full spectrum of Pakistani stakeholders, from competing elites to the grassroots, as CPEC projects are identified and/or implemented, and prioritize job creation for locals. Conduct comprehensive risk and political analyses of CPEC projects to ensure that benefits are shared equitably between competing interests.

Complement such efforts with effective and extensive communication with Pakistani stakeholders at the local, regional and national levels so as to illustrate common interests. For all

the risks and challenges, CPEC offers an opportunity to upgrade Pakistan's aging and dysfunctional infrastructure and revive a flagging economy. But to deliver on these promises, both Islamabad and Beijing need to implement it with considerably more sensitivity and consultation than they have displayed thus far, with provinces and the communities most affected given a greater voice in shaping CPEC projects. Locals need to see dividends as benefits that overwhelmingly flow to outsiders would aggravate social and political divides, fueling tension and potentially conflict.

As Pakistan's democratic transition approaches another milestone, with a second consecutive elected government completing a full term, its successor should seize the opportunities of a fresh mandate, shape public debate on CPEC and adopt related policies that put the well-being of Pakistani citizens at their core.

<https://dailymtimes.com.pk/532312/cpec-opportunities-and-risks/>

## **Industrial emergency (Part-I)**

*Hassnain Javed*

Pakistan today is still not recognized globally as an upcoming economic superpower with robust growth, vast opportunities, and an aspirational middle-class. Besides many factors that make Pakistan a vital cog in the global economic system is its much touted demographic dividend, driven by a large population of working-age youth. Although such demographic dividend has been billed as a strategic advantage that will help propel the nation into the realm of developed country status.

However, recognizing that the dividend could just as well become a liability if not adequately leveraged and made capable of addressing the world's challenges, therefore Pakistan government need to launch the Skill Pakistan and Startup Pakistan programmes. This much-needed focus on developing an environment and ecosystem to foster entrepreneurship has the potential to transform the country into a hotbed of innovation while creating large-scale employment, if implemented well.

Such initiatives have to be integrated and made to work efficiently with already existing programs that encourage industry and innovation. Only then can vibrant and sustainable ecosystems be built within a stable, yet dynamic business environment. Based on the developed economies experience, one highly successful policy initiative that has encouraged business activity over the years, especially export-driven business, is the Special Economic Zones (SEZ) programme that came into being through the establishment of special economic zones. While the key objectives of the SEZ programme are to attract foreign investment and boost industrial development, many of the benefits accorded to SEZs create an ideal environment for business ideation, employment generation, and upgrading of knowledge capital all of which share common purpose with the earlier stated goals of leveraging Pakistan's demographic dividend and fostering entrepreneurship.

There exists a misconception that the central role SEZs have played in boosting industrialization is on account of the fiscal benefits accorded to SEZ units. While financial benefits including various tax exemptions have great appeal to companies in capital intensive manufacturing industries, there are a host of other benefits of operating in an SEZ that are often overlooked. SEZs are self-contained enclaves with infrastructure designed for industry, and often are integrated townships with social infrastructure also included. Logistical and warehousing infrastructure and backward and forward linkages enable smooth operations and vast opportunities. Single window clearances, ease of startup, and procedural efficiencies are also characteristic of SEZs. With focus being on exports, SEZs are usually located in proximity to ports, thus enabling easy movement of goods. All of these factors come together to enable the entrepreneur to focus solely on their core competencies and responsibility of growing the business.

There exists a misconception that the central role SEZs have played in boosting industrialization is on account of the fiscal benefits accorded to SEZ units.

SEZs offer immense opportunities for contract manufacturing in mineral resources, gem and stones, food processing, and many other high-growth sectors. With digital transformation and the new economic order profoundly impacting these and many other industries, they are ripe for disruption through product and process innovations. And SEZs are well positioned to provide a robust platform to these new-age businesses. We only have to look at the Chinese model to learn how entrepreneurship and wealth creation have blossomed within SEZs. Many of China's wealthy entrepreneurs have built their businesses within SEZs, taking advantage of infrastructure, logistical, supply chain and other benefits offered by them. In fact, they have become the epicenter for manufacturing economies in many parts of the world, and have propelled these economies to new heights.

Today, I put forth the case of Gilgit Baltistan special economic zones, which requires industrial emergency and dire attention by the current government to best exploit the competitive edge over existing natural and mineral resources prevalent in the region. Poor utilization of the competitiveness of the Gilgit Baltistan special economic zone is one of the ambiguous issues that has held the Pakistan economy back from a genuine chance towards sustainable transformation and rapid economic growth. Since the independence of Pakistan in 1947, development in the Gilgit Baltistan zone has been slow, focusing only on essential aspects without attempting to cope with changing global conditions. However, inability to adapt to these global changes may threaten the Gilgit Baltistan competitive edge in the near future. In this context, development in the Gilgit Baltistan region is essential to expand its role from domestic facilitator to international contributor in global trade which reinforces its economic growth, contribute to solve various socio-economic problems, and promote the environmentally sustainable practices in Pakistan.

Accordingly, the Pakistan government started their first wave of the transformational reform after launch of the Belt and Road Initiative by the Chinese government in 2013. Under which China-Pakistan Economic Corridor development initiated that further introduces sustainable

development strategy for Pakistan, and by 2017, the Gilgit Baltistan area has declared a special economic zone. These initiatives provided new roadmaps covering the inclusive green growth in the country that could be achieved through sustainable utilization of the Gilgit Baltistan zone. In a developing country like Pakistan, accelerating economic growth while also protecting the environment are interlinked challenges, neither of which can supersede the other. Accordingly, it is important to support the sustainable development in Pakistan to achieve the country's prosperity without destroying the environment. In this regards it is essential to address this question, why sustainable development is a must in this modern era? Globally, developing countries have to stop 1.4 billion people out of abject poverty by enhancing their economic growth; meanwhile, ensuring that these economic activities are correlated with the low carbon growth which reduces the aggregate carbon footprints.

<https://dailytimes.com.pk/532260/industrial-emergency-part-i/>

## **CPEC PUZZLE**

*Shakeel Ahmad Ramay*

From the very first day PTI declared CPEC a top priority. Prime Minister himself, at different occasions pinned the importance of CPEC. He assured all stakeholders including Chinese counterparts that his government will do everything to smoothen the process of implementation. Prime Minister established CPEC Authority and speed up the process for joint coordination meeting. Joint Coordination meeting was held with much pump and show. It was sold as all will be well after the meeting. CPEC will start to run at electric speed. Unfortunately, after two months of meeting, things are not moving with required speed. Regrettably, progress is very slow. Government is still struggling to find a sustainable solution.

Despite improvement of "Ease of Doing Business" ranking, business environment is not conducive for investment. Government's rhetoric of facilitation for business community could not translate into action. There is a much oratory but very limited actual work. There are multiple factors which are acting as bottleneck. For example, time management is one of the worse areas of governance. Corruption is still out of control. Government is trying to work on these areas, but results are not complimenting efforts of government. Inefficiency is most prominent feature of overall governance structure.

The cost of inefficiencies is very high. It is shattering the confidence of investors and business community. Investors are hesitant to bring new investment under CPEC. It is clear from the slow rate of actualization of promised investments. During the last one year many delegations from different countries visited Pakistan. Government of China put special efforts to convince her business community to invest in Pakistan. Business community also showed keen interest in investment, but lack of infrastructure and facilitation hinder to invest.

The major causality is industrial development. As it was envisioned that second phase of CPEC will lay down the foundation of industrial development in Pakistan. Special Economic Zones

were identified as vehicle of industrialization by providing state of art facilities and services for local and international investors. Unfortunately, after six years of CPEC, country is still without any functional SEZ. Now government is trying to speed up the process, but it is not according to requirement and demand of business community and investors. The most advanced SEZ Rashakai Economic Zone is visible on billboards and government documents. The real work on infrastructure like electricity, gas and roads etc., has to be started. Government has announced that ground breaking will be done soon, so let's cross the fingers.

Another cost is criticism and malicious campaigns run by different interest groups, at national, regional and international levels. CPEC has become punching bag for everyone. Criticism starts from home. We can find many people in Pakistan who question the speed of work CPEC. Western countries, India and USA are other players which show deep concern on CPEC. These countries, every other day come up with some allegations. Story started with debt trap and goes on to environment, social development and strategic interests. The most recent recruit on this front is corruption. Recent talk by Ms. Alice Wells was full of criticism for CPEC, China and Chinese companies. Most recently, CPEC authority has been criticized by USA government on the basis of corruption. Although there is no proof or example of corruption, but non-functioning of Authority is giving space to opponents.

The situation urges government to redefine and restructure its efforts. Government will have to look into how it can innovate to resolve the issues. The good news is that government has taken two very good steps. First, government has appointed Asad Umar as Minister of Federal Ministry of Planning, Development and Reforms (MoPD & R). He is good choice to look at the pressing issues of development planning, execution and suggest some steps to solve the issues. Being focal ministry for CPEC it is expected that Asad Umar will bring a new vigor to facilitate the smooth planning and implementation of CPEC.

Second, CPEC Authority is a good and innovate idea to give push to CPEC. Authority has been created to facilitate implementation of CPEC and remove the bottlenecks which hinders the smooth implementation.

However, it would be challenging for authority to devise a comprehensive plan for fulfilling its perceived roles and responsibilities. First task would be to devise tools for interaction with existing stakeholders as authority will have to interact with numerous departments, organizations and ministries. Every ministry has a different job description and instruments to implement the respective policies and plans. Another important area of consideration for authority would be how it develop tools to interact with China. China's models of development, implementation and governance are entirely different from Pakistan.

Hence, authority will require a complete set of skills to understand and facilitate the work of each and every ministry and China. It will not be simple matter of management it goes beyond management. Hence, it would be pertinent to suggest here that authority must have persons who have multi-dimensional skills and deep understanding of political economy of Pakistan and

China. Moreover, it will have to be observed how MoPD&R will build working partnership with authority.

Despite these two important actions, situation is still complicated and confusing. Rumors and confusion are surrounding the CPEC. Interest groups are trying to influence common citizens and trying to create bad blood between Pakistan and China. These all rumors and speculations are in market because government is struggling to implement a sustainable strategy/solution. There is no second opinion is that government is fighting at multiple fronts e.g. FATF, economic crises, regional situation and international opposition etc. but government will have to counter rumors and confusion.

Rumors and confusion are impacting CPEC very badly. Thus, Government must have to take immediate steps to dispel this confusion and counter the speculation business. The sensible strategy would be to implement the decision of joint committee meeting and fully functional the authority with clear vision and job description. Authority should immediately take over its job and start to mitigate the confusion and rumor by actions.

Second, Pakistan should stop wasting time in un-necessary activities and meaningless discussion with Chinese counterparts. For, example we waste much of our time on two points; first we tell Chinese counterparts, how China moved on development ladder. A quick analysis of recent meetings, consultations and seminars can highlight the spectrum of problem. We need to understand that Chinese knows better than us how they developed. What sacrifices they made. Second, our preferred area of discussion is how deep friendship China and Pakistan are enjoying. Again, it is understood and well documented that we are iron brother, so we need to move forward. These useless activities undermine the real areas of discussion like SEZ development, trade, financial integration etc. There is need to focus on business, business proposal and practical actions.

Lastly, we need to learn that oratory cannot deliver results. For results real actions are needed. Therefore, it would be wise if we can learn to speak less and move our hands at greater speed.

<https://dailytimes.com.pk/533825/cpec-puzzle/>

## **Pakistan Observer**

### **SEZs will enable Chinese industries to relocate to Pakistan: Imran Future is linked to industrial development**

Prime Minister Imran Khan on Friday said that the country's Special Economic Zones will provide Chinese industries the requisite environment to relocate to Pakistan. "There are many industries that wish to relocate from China. We had yet to provide them the environment for them to relocate to Pakistan. This special economic zone is that environment that China seeks," said the prime minister. "China's Premier Li had said clearly that if we provide them the environment, they will push Chinese industries to Pakistan. "They will not only invest in

Pakistan, but transfer technology and increase our productivity,” said the premier. The premier’s remarks came after he performed the groundbreaking of the state-of-the-art Allama Iqbal Industrial City in Faisalabad. The industrial city, meant for housing foreign and local investors besides giving impetus to economic activities in the country, is a mega project of the Special Economic Zone of Faisalabad Industrial Estate Development and Management Company (FIEDMC) under the China-Pakistan Economic Corridor .Imran Khan said that China uplifted 700 million people from poverty in three decades which is unprecedented in the world history. Eulogizing the Chinese model of development, he said Chinese investors and entrepreneurs are keen to invest in various sectors of the country. He said Chinese businesses are also willing to transfer vital technology to Pakistan, adding that the China-Pakistan Economic Corridor is a golden chance for the country to develop. Imran Khan said industrialization, leading to increased exports, is key to eradicate poverty from the country, adding that the specialized economic zone is a major step towards the realization of the CPEC. Dubbing industrialization as major source of employment creation in the country, he said pace of industrialization in Pakistan was very fast in 1960s. But, unfortunately this lost momentum due to policies adopted in 1970s. “Pakistan’s future is linked to industrial development but the wheel of industrial development was stopped by campaigning against the capitalists,” the prime minister said and added it will be difficult to provide employment to the youth if we do not move towards industrial development.

<https://pakobserver.net/sezs-will-enable-chinese-industries-to-relocate-to-pakistan-imran-future-is-linked-to-industrial-development/>

### **PNCC firm to secure CPEC projects, Gwadar Port: CNS**

An impressive ceremony of Pakistan Navy Coastal Command Annual Efficiency Competition Parade for the year 2019 was held at PNS QASIM, Karachi. Chief of the Naval Staff, Admiral Zafar Mahmood Abbasi graced the occasion as chief guest. Upon his arrival, the chief guest was received by Commander Coast Rear Admiral Faisal Rasul Lodhi. Efficiency Competition Parade is conducted annually by Coastal Command of Pakistan Navy to mark the achievements of its operational year wherein efficiency shields are awarded to the selected Coastal Command Units based on their achievements in operational, administrative and extracurricular domains throughout the year. Addressing the ceremony, the chief guest highlighted that Coastal Command of Pakistan Navy has been entrusted with the onerous task of safeguarding the Coastal Areas of the country from Sir Creek to Jiwani, under challenging internal and external security situation and harsh topographic environment. The Admiral while expressing satisfaction over operational readiness of Pakistan Navy said that Pakistan Navy Coastal Command (PNCC) is fully geared up to tackle the challenges including security of CPEC project and operationalization of Gwadar Port. Earlier, in his welcome address, Commander Coast Rear Admiral Faisal Rasul Lodhi presented the resume of Coastal Command’s operational activities undertaken during the year 2019 encompassing multidimensional events related to combat readiness particularly during Post-Pulwama military stand-off. He further highlighted that in addition to successfully accomplishing operational, administrative and welfare projects during

the year, Coastal Command also completed several projects related to socio-economic uplift of local populace of coastal areas especially in the domains of education and health. Later, Chief of the Naval Staff gave away efficiency shields to the winners and runners-up units in each category. The ceremony was attended by a large number of senior serving and retired Naval Officers, CPOs/Sailors and civilians of Pakistan Navy.

<https://pakobserver.net/pncc-firm-to-secure-cpec-projects-gwadar-port-cns/>

## **China lowers import tariff for many items under FTAs with Pakistan, other countries**

China lowers tariff rates in accordance with the free trade agreements it has separately signed with Pakistan, New Zealand, Peru, Costa Rica, Switzerland, Iceland, Singapore, Australia, the Republic of Korea, Chile and Georgia, as well as the Asia-Pacific Trade Agreement, starting Wednesday (today). The second phase of China-Pakistan Free Trade Agreement (CPFTA) allows the Pakistani manufacturers and traders to export around 313 new products on zero duty to the Chinese market, according to official sources here. Pakistan was already enjoying zero duty on export of 724 products to China under the first FTA signed between the two countries in 2006. After the implementation of the second phase of FTA, Pakistan has been allowed to export a total of 1047 products to China on zero duty. The new facility will particularly benefit the textile sector to enhance its export to China as textile exports to China will virtually be duty free. There are a number of other items particularly leather and agriculture products as well as confectionery and biscuits etc. which Pakistani manufacturers can export to China. According to experts, Pakistan, can now increase its export around US\$ 1 billion in the short term while the export of these items are likely to touch US\$ 4-5 billion in the medium term after setting up a new industry in the special economic zones being constructed in Pakistan under the China-Pakistan Economic Corridor (CPEC) flagship project. In the long-term, Pakistan can enhance its exports to China up to US\$ 10 billion in the next few years as the volume of Chinese import market is around US\$ 64 billion. China wants to import quality products from different countries including Pakistan. "If our traders actively participate in different trade fairs in China to market their goods, they can get import orders at good prices. The present government has resolved export rebate issue and it is giving subsidy to exporters on electricity and gas. The State Bank of Pakistan has also increased funds limits for the traders and manufacturers under the export refinance scheme which will help increase exports. Currently, cotton yarn, copper, rice, chromite nephrite, seafood and ethylene alcohol are main products being exported to China. Meanwhile, according to a Global Time report, the second phase of the China-Pakistan FTA is expected to further bridge the trade deficit between the two countries by boosting Pakistani exports to China. How to narrow the trade deficit between China and Pakistan has become a very important topic in the China-Pakistan relations. It is hoped that a significant lowering in tariff levels between the two countries will deepen trade ties by cutting the deficit, thus effectively promoting the construction of the Belt and Road Initiative and the development of the China-Pakistan Economic Corridor (CPEC). Agricultural cooperation is a key area in which China and

Pakistan will seek cooperative efforts aimed at reducing the trade deficit. Agriculture is a pillar industry of Pakistan's economic development, accounting for about 40 percent of its economy, while China is now the world's largest importer of agricultural products, importing about \$130 billion of agricultural goods annually. At present, agricultural departments from both countries have signed a number of cooperation agreements and Memorandums of Understanding in the fields of agricultural information exchange, training of technical personnel, processing of agricultural products and animal and plant quarantine, as well as production and maintenance of agricultural machinery. For instance, as cotton-related products account for nearly 60 percent of Pakistan's total exports, experts from the Chinese Academy of Agricultural Sciences are actively engaged in technology exchange and cooperation with Pakistani experts on how to improve the quality of cotton seeds. So far, the China-Pakistan Cotton Biotechnology Joint Laboratory is the only agricultural project under the CPEC program. Moreover, data shows that Pakistan's mango exports to China jumped 42 percent year-on-year to 115,000 tons as of mid-September. Exports are further expected to reach a new high of 120,000 to 130,000 tons.

<https://pakobserver.net/china-lowers-import-tariff-for-many-items-under-ftas-with-pakistan-other-countries/>

### **DIG reviews security of Chinese consulate**

Deputy Inspector General of Police (Operations Wing) Lahore Rai Babar Saeed visited Chinese Consulate to review its external and internal security arrangements. SP Special Protection Unit (SPU) Major (Retd) Mian Abdul Maalik briefed DIG Operations regarding the security arrangements and SPU deployment. Officers and officials of SPU and Operation Wing Police were also present. The DIG directed the concerned officers and officials of SPU to remain alert and provide foolproof security to Chinese Consulate. He further directed that snipers deputed on the roof tops should keep a vigilant eye on all the movements around Chinese Consulate building. Rai Babar Saeed, in continuation of his visits of police stations, arrived at police stations of Mustafabad, Qilla Gujjar Singh and Garhi Shahu. SDPO Qilla Gujjar Singh, SHO Mustafa Abad, Qilla Gujjar Singh, SHO Garhi Shahu and other related officers were also present. Police officers briefed DIG Operations regarding the working of their respective Police Stations including human resource and logistics.

<https://pakobserver.net/dig-reviews-security-of-chinese-consulate/>

## **The News**

### **Deputy Mayor meets Chinese team**

Islamabad: The custodian of Shah Allah Ditta Caves and deputy mayor of the federal capital of Islamabad, Syed Zeeshan Naqvi met a delegation of Chinese state dignitaries.

Chinese provincial political coordination committee vice chairman led the Chinese delegation.

The two sides discussed China-Pakistan relations and affairs of mutual interest. The deputy mayor briefed the Chinese delegation on business opportunities in Islamabad and working of the municipal corporation.

He said that Pakistan and China are long-time friends and Islamabad has opportunities for foreign investment. He said that every possible step will be taken to facilitate investment by Chinese investors in Islamabad. He pressed on the need to promote trade between China and Pakistan. He said CPEC is a big step and a game changer.

The Chinese delegation showed interest in improving condition of hospitals in Islamabad. The delegation also extended cooperation for resolving problems in Islamabad.

<https://www.thenews.com.pk/print/593303-deputy-mayor-meets-chinese-team>

**January 05, 2020**

### **Business Recorder**

#### **BoI yet to notify status of Allama Iqbal Industrial City as SEZ**

Board of Investment (BoI), with a secretariat for Special Economic Zone (SEZs) under the China-Pakistan Economic Corridor (CPEC), is yet to notify the status of Allama Iqbal Industrial City Faisalabad as SEZ which was inaugurated by Prime Minister Imran Khan on Friday. Pakistan and China had agreed to develop nine SEZs across the country and decided to complete three SEZs on priority basis including Allama Iqbal Industrial City, Faisalabad, and two others located in Rashakai in Khyber Pakhtunkhwa and Dhabeji in Sindh.

Sources said that Board of Approval (BoA) of BoI is yet to approve the status of Allama Iqbal Industrial City as SEZ or of other SEZs to be established in the four provinces of the country. The BoA, the highest approving forum is headed by the Prime Minister with membership from economic ministries, provincial governments, public and private sectors.

Sources said that all the provinces are requesting an amendment to the rules of BoA of SEZs which they are claiming were drafted without prior consultation with them. The first meeting of BoA presided over by the then Prime Minister Raja Pervez Ashraf was held in the Prime Minister's secretariat on January 23, 2013. No meeting of BoA was held during the tenure of Pakistan Muslim League-N. Rashakai Economic Zone, M-1, Nowshera, and China Special Economic Zone Dhabeji are scheduled to be inaugurated in April 2020. Board of Investment has been unable to operationalize a single SEZ during 18 months of Pakistan Tehreek-e-Insaf (PTI) government. Informed sources told this correspondent that an amendment in Special Economic Zone Act 2012 to facilitate industrial zones under the CPEC is also required. Under the proposed amendments, federal government must allow 100 percent ownership by foreign companies investing in SEZs. The proposed incentives for SEZs include income tax exemptions, no taxes on non-residents and income tax exemptions for expatriates till 2040. The BoI has submitted PC-I for SEZs to Planning Division for the approval of Executive Committee of National Economic Council (ECNEC) headed by Adviser to Finance, Hafeez Sheikh. Investors are reluctant to invest

in SEZs owing to the unavailability of utilities—power, gas and water. Some Chinese firms who bought plots in the under-construction Allama Iqbal Industrial City were reported to be delaying construction of their facilities unless the management gave firm guarantees for the provision of electricity and other utilities. “I think there’s a tendency to believe that Special Economic Zones might be the cure to difficulties in attracting investors and I don’t think that’s our experience. Our experience is demonstrating that the framework for doing transparent business and predictable business is available”, says Wilson Center Ambassador Alice Wells, the Principal Deputy Assistant Secretary of State for South and Central Asia at the U.S. Department of State while talking about China’s Belt and Road Initiative, or BRI, and particularly the Pakistan component of BRI, CPEC.

<https://www.brecorder.com/2020/01/05/559172/boi-yet-to-notify-status-of-allama-iqbal-industrial-city-as-sez/>

## Dunya News

### **CPEC's second phase starts with establishment of SEZs:**

#### **Ambassador Hashmi**

The second phase of the China Pakistan Economic Corridor (CPEC), a flagship project of Belt and Road Initiative (BRI), has started with the establishment of special economic zones (SEZs) in various parts of the country, Pakistani Ambassador to China Naghmana Alamgir Hashmi said on Saturday.

“The second phase of CPEC has now started, which is actually the establishment of special economic zones in various parts of the country,” she said in an interview with China Economic Net.

Ambassador Hashmi remarked that with the establishment of these special economic zones and the signing of agreements between the Chinese and Pakistani agricultural sectors and with increased cooperation, agriculture was a field with great potential for investment and re-export.

She said that with the China-Pakistan Free Trade Agreement becoming operational, the price would in any way go down, because the import duties would not apply.

“So with the establishment of these special economic zones and with the increasing number of agreements and cooperation in the agricultural sector, which is a priority both with President Xi and with Prime Minister Imran Khan, I think this is one area where there is a huge potential of both investments, growth and then re-export of those value added products to China,” she added.

Talking about the Pakistani products which have the most export potential to China, she said in order to let more Chinese consumers know about Pakistani mangoes, a Mango Festival was held in the Pakistan Embassy Beijing.

“This is Pakistan’s third Mango Festival held in Beijing. Mango is one of Pakistan’s leading export products. One day, we hope to see Pakistani mangoes sold in supermarkets and markets across China,” she added.

To reduce the price of Pakistani Mango in China, Ambassador Hashmi said that the products of the country of origin were generally cheaper, but a series of tariffs were added to the products when exporting, and mangoes also needed to be treated with hot water, steam sterilization or other technologies. These technologies were not readily available in Pakistan, increasing product prices.

“The first thing China can do to reduce the price of Pakistani agricultural products in China is through joint ventures, through the introduction of technology, and working with farmers and exporters to set reasonable prices in order to meet China’s requirements for imported fruits and vegetables,” she added.

Secondly, Hashmi believed that with the CPEC process and the establishment of the cold chain system, many products could be transported by road without air transport.

Due to its short shelf life, mango was currently unable to be transported to China by land, and fisheries and other agricultural products also needed to be transported by cold chain roads, so she believed this was an area where many Chinese investors do business in Pakistan.

This is mutually beneficial for importers and exporters, and it was also a way to introduce high-quality Pakistani agricultural products to China at reasonable prices.

On zero-tariff treatment given to 313 types of Pakistani products after implementation of FTA Phase-II, Ambassador Hashmi said that some traditional export varieties of Pakistan were very popular in China. “For example, Pakistan exports a lot of rice to China, but Pakistan’s most famous Basmati rice is not very popular in China.”

She said that there was another type of rice in Pakistan that was very close to Chinese rice, called IRRI-6, a small grain of glutinous rice. This type of rice could be exported to China.

On Pakistan’s sugar export to China, Ambassador Hashmi said China was importing more and more Pakistani sugar, and it would be the same next year. For Pakistani growers, exporters and sugar makers, sugar was a new product launched in the Chinese market. Once the attempt was successful, Pakistan would export more sugar to China in the next two years.

Ambassador Hashmi said Pakistan produced a lot of cotton. China had a huge textile industry, so Pakistan’s yarn was exported to China.

“We have a lot of gems. The Chinese like Onyx. Baluchistan Province in northern Pakistan is the only one producing Onyx in the world. There are many gold and copper is transported from our mine to China. Therefore, minerals and gems in Pakistan have great market potential.”

Ambassador Hashmi said the gem field is another area where Pakistan was looking for a Chinese joint venture.

“In northern Pakistan, there are beautiful gems everywhere. But we don’t have advanced technology to polish them. And the Chinese know how to sculpt to make beautiful jewelry products. Chinese technicians, stone importers, manufacturers can work with Pakistan Enterprises establish joint ventures.”

<https://dunyanews.tv/en/Business/526425-CPEC-second-phase-starts-with-establishment-of-SEZs-Ambassador-Hashmi>

## **Pakistan Observer**

### **Relocation of Chinese industries**

PRIME Minister Imran Khan on Friday performed the ground breaking of Allama Iqbal Industrial city in Faisalabad, the first of three prioritized Special Economic Zones to be established under the multibillion dollar CPEC. Speaking on the occasion, Imran Khan said the SEZs will provide the requisite environment to Chinese companies to relocate to Pakistan. In fact, there are many Chinese companies which have repeatedly expressed willingness to relocate their industrial units to Pakistan but unfortunately there has been delay on our part to go ahead with the SEZs- the important component of second phase of CPEC. Hence, the groundbreaking of Faisalabad Special Economic Zone is an important development and our authorities concerned must expedite efforts to ensure timely completion of work on it with provision of all amenities and facilities. Faisalabad SEZ is strategically located on Motorway {M-4} and it is expected to create three hundred thousand jobs for the people of Punjab in the next five years. This SEZ alone is to attract approximately four hundred billion dollars of investment in automobiles, value added textiles, engineering, pharmaceutical, food processing, chemicals, construction material and packaging. During the first wave of relocation in 2006, the Chinese industrial units mostly shifted to South East Asian countries including Vietnam and Malaysia who were now leading the whole region in exports. We missed that opportunity but now a big opportunity is once again knocking at our doors and we should extend maximum facilitation to the Chinese industries to shift their businesses to Pakistan. For this, we also need to fast track work on the operationalization of other SEZs at the earliest. The relocation of Chinese industrial units will undoubtedly revolutionize our industrial sector, help us enhance import substitution and lift up exports besides benefitting from the Chinese technology in different sectors. Joint ventures between Chinese companies and domestic private sector should also be encouraged at these SEZs to achieve the goal of transforming Pakistan into a manufacturing hub. Just by benefiting from Chinese packaging and preservation technology, our country can capture a major pie in the world’s Halal Food Market of over three trillion dollars.

<https://pakobserver.net/relocation-of-chineseindustries/>

### **China delivers on promise to expand imports**

China fulfilled its commitment to increase imports in 2019 amid rising tides of protectionism, boosting domestic economic expansion and offering a beacon of hope for multinationals that had

suffered from low profit growth in other parts of the world. China has been shifting from an investment-driven model to a more domestic consumption-powered economy over the years. Consumption continued to play an increasingly important role in driving economic growth, contributing 60.5 percent of GDP growth in the first nine months of 2019. “Expanding imports will be conducive to fostering new growth areas in consumer spending, and accelerating the transformation of the country’s economic development model,” said Zhang Fei, deputy director of the Chinese Academy of International Trade and Economic Cooperation. In a bid to further meet booming domestic demand, the country lowered or canceled import duties on certain products from Jan. 1, 2020. The import tax on frozen pork, for instance, was cut from 12 percent to 8 percent in a bid to increase domestic supplies. The country eliminated the tariff on pharmaceutical products containing alkaloids for asthma treatment as well as raw materials for the production of new diabetes medicines to reduce medication costs and promote the production of new medicines. China also slashed the duties on imported fruits and juice to offer more choices for consumers.—Xinhua.

<https://pakobserver.net/china-delivers-on-promise-to-expand-imports/>

**January 06, 2020**

**Pakistan Observer**

### **Pakistan needs to develop SEZs following Shenzhen’s model**

Pakistan needs to follow China’s Shenzhen model, in developing its special economic zones (SEZs), says Gwadar Pro App on Sunday. It is a welcomed step that Prime Minister Imran Khan has formally inaugurated the Allama Iqbal Industrial City, a special economic zone (SEZ) under the China-Pakistan Economic Corridor (CPEC). PM termed CPEC as a golden opportunity for industrial development of Pakistan and the SEZ the first step towards the prosperous future of his country. The PM said China is Pakistan’s close friend, and Pakistan has a great opportunity to make progress by learning from China who is developing with leaps and bounds in every field. China has indeed made great achievements in the past 70 years since the founding of the People’s Republic of China. Shenzhen SEZ is definitely one of the biggest achievements. Shenzhen, as China’s first SEZ, has grown from a small fishing village to be a first-tier city taking the lead in the economy, science and technology, and commerce and trade in China in just four decades. Shenzhen’s story is called “Shenzhen Miracle”. What’s behind the “Shenzhen Miracle”? There are three reasons. One is China’s reform and opening-up policy. Under the background, Shenzhen has got favor policies, like tax incentives to attract foreign direct investment and boost industrial development. The second one is the city’s location. Shenzhen, adjacent to Hong Kong, could easily get foreign investment and develop export-oriented economy. Shenzhen found its first pot of gold from export processing industry. The last one lies to labor. China has plenty of cheap labor forces and these young migrant workers have promoted the economic development and invigorated big cities. Without them, Shenzhen couldn’t undergo

dramatic changes in 40 years. In developing SEZs, Pakistan can make their own “Shenzhen Miracle, as it also have big potential, the Gwadar Pro added. The PM has further stated, “Many Chinese industrialists want to invest in Pakistan. He said he met many Chinese businessmen during his visit to China last year and they showed keen interest in investing here in SEZs. The relocation of industries from China will be a critical part for Pakistan’s economy. Chinese business community has expressed intentions to relocate their businesses to Pakistan. Federal Minister for Planning, Development, Reforms and Special Initiatives Asad Umar said that although there was tough competition, they were quite hopeful that Chinese industries would be relocated into Pakistan. “We want to see labor and export intensive economic zone at Rashakai,” the minister added.

<https://pakobserver.net/pakistan-needs-to-develop-sezs-following-shenzhens-model/>

## **The Express Tribune**

### **Media’s role in boosting China-Pakistan trade discussed**

ISLAMABAD: A discussion on the role of the media in facilitating trade between China and Pakistan was held recently chaired by Express Publication’s CEO Aijaz ul Haq.

The participants of the meeting included Federation of Pakistan Chambers of Commerce and Industry Senior Vice President Dr. Mirza Ikhtiar Baig and China Economic Net Deputy Editor-in-Chief Meng Lingjuan.

Meng highlighted the two consecutive China International Import Expo (CIIE) Seoul Seminars jointly hosted by the China Economic Net, the Korean International Trade Association and the Korea Federation of SMEs.

She noted that at the seminars, Chinese experts answered questions about how sanitary licenses in China could be obtained from South Korean enterprises and also analyzed marketing strategies via new media.

Ikhtiar Baig expressed his hope that Pakistan’s exports would increase, emphasizing the role of licensing and e-commerce in export trade to China as well as marketing.

“Last September, China and Pakistan signed a memorandum on the establishment of a joint business investment committee. More systematic and practical trade promotion is needed between the two counties,” he added.

As a representative of the Pakistani media, Aijaz ul Haq attended the 2nd CIIE Seoul Seminar in December last year. Data shows that the bilateral trade volume between China and South Korea reached \$313.4 billion in 2018, of which China had a deficit of \$96 billion.

Zafar Hasan Khan, the director of the Pak-China Business Council of the FPCCI and CEO of Victor Electronic Appliances Pvt. Ltd and Meng Fanrong, CEN’s Representative in Lahore, also attended the meeting.

<https://tribune.com.pk/story/2131020/1-medias-role-boosting-china-pakistan-trade-discussed/>

## **The Nation**

### **Pak-China FTA-II, ease of doing business to unlock potential foreign exchange revenue**

LAHORE-The Pakistan Hosiery Manufacturers & Exporters Association has welcomed the growth of 8.69 per cent in knitwear exports from the country during the first five months (July-Nov 2019-20) of the current financial year compared to the exports in the corresponding period last year, saying the industry is now eyeing on Chinese tariff concessions under FTA-II phase and ease of doing business to unlock the potential foreign exchange revenue from the value-added textile sector.

According to data from the Pakistan Bureau of Statistics, approximately 51,240 thousand dozen of knitwear worth \$1.320 billion were exported compared to 48,315 thousand dozen valuing \$1.215 billion exported last year.

According to the data, textile exports stood at \$5.5 billion during the same period last year. In November, the textile exports clocked in at \$1.17 billion, an increase of 7.03% year-on-year, but a decrease of 3.1% month-on-month. From July to November, value-added textile sector increased in exports.

Readymade garments export increased by 13.2%. The knitwear exports increased by 8.7% and exports of bed wear by 4.7%. Raw cotton exports stood at \$2.06 million, up 24.91% on a yearly basis, while the cotton yarn exports surged 23.9% in November.

PHMA Vice Chairman Shafique Butt said the role of value-added knitwear sector is vital in the national exports and the government should accord top priority to this sector taking necessary steps and measures to enhance its export efficiency.

The export oriented industry has been facing multiple challenges in the wake of high cost of manufacturing, exorbitant utility tariffs and high labor wages comparing to the competitors on the world markets. "We appreciate the govt. efforts to reduce the cost of manufacturing and make the value-added textile export industry more viable," the chairman added.

He also urged the government to work on rationalizing duties structures and minimize taxes and duties on import of raw materials and instead apply duties on import of finished/luxury goods in order to facilitate the domestic industry. The Ministry should also hold a meeting to simplify DTRE Scheme. He said the ministry should also discourage export of raw material and encourage export of value-added items.

Shafique Butt said that this growth in textile exports remained stationary in the previous few months, and it remains to be seen whether the phase-II of China-Pakistan free trade agreement (CPFTA II) can provide some fresh impetus to the sector.

He said that CPFTA II can speed up the exports due to its concessionary tariff lines and greater market access. Electricity should be supplied at a flat rate round the clock to the industrial sector in winter season to meet to government's aims to increase production, uplift exports and create more jobs," he said.

He said that exporters are expecting the working capital for the sector and liquidity to improve, since the government is now getting rid of all the imperfect mechanism of bonds to clear refund payments and are instead opting to make cash payments.

<https://nation.com.pk/06-Jan-2020/pak-china-fta-ii-ease-of-doing-business-to-unlock-potential-foreign-exchange-revenue>

**January 07, 2020**

**Business Recorder**

## **Pak, China satisfied over progress on \$9.2 billion ML-1 project under CPEC**

Pakistan and China have expressed satisfaction over the progress on the \$9.2 billion Main Line (ML-1) project under the China-Pakistan Economic Corridor (CPEC), which would be initiated next year.

A delegation led by Director General of China's National Railway Administration (NRA) Yan Hexiang called on the Federal Minister for Railways Sheikh Rashid Ahmed here on Wednesday. Sheikh Rashid and the Chinese delegation held discussions over the progress of ML-1 project for 1,872 kilometers long rail network.

During the meeting, the Railways Minister said Prime Minister Imran Khan was taking personal interest in early completion of the Main Line-1 project as it was the heart of the China-Pakistan Economic Corridor (CPEC) that would be constructed with the estimated cost of \$9.2 billion. It was important project for development of the country, he added.

The Chinese leadership would be invited next year on the inauguration ceremony of the project, he said, adding it would be completed in five years. The project would connect Pakistan through train with China, Central Asia and Iran, the Railways Minister added.

The project would further enhance the friendly ties between Pakistan and China, he added. He said the distance between Karachi to Rawalpindi would be shrunk to 10 hours and the project would significantly help increase the overall production of the country after its completion in next five years.

The ML-1 project was among the top priority projects of CPEC. The recent Joint Coordination Committee (JCC) has expressed satisfaction over progress on the project, said the DG NRA.

<https://www.brecorder.com/2019/11/07/542262/pak-china-satisfied-over-progress-on-92-billion-ml-1-project-under-cpec/>

## **The Express Tribune**

### **Sell more to China**

*Hasaan Khawar*

The beginning of the year 2020 marks a new turn in China-Pakistan economic relations, with the operationalization of the second phase of the China Pakistan Free Trade Agreement (CPFTA-II). The agreement has immediately abolished tariffs for Pakistan on 313 products, while a total of 75% of the tariff lines will be liberalized over the next decade. This will significantly improve access to the Chinese market for Pakistani exports. A wide variety of products are covered under these concessional tariffs including textiles, garments, seafood, meat, leather, chemicals, plastics and footwear. In addition, the FTA has improved safeguard mechanisms for protection of the domestic industry in Pakistan, introduced a safety valve against future balance of payment crises, and included enforcement of electronic data exchange to avoid mis-declaration and under invoicing of imports from China.

Pakistan is an exports-starved country, running huge trade and current account deficits that in turn have pushed it to repeatedly seek IMF bailouts. Trade deficit with China alone contributed 34% to Pakistan's overall trade deficit in 2018-19 and was equivalent to 78% of the country's current account deficit. Now the world's largest import market, which happens to share a border with us, has provided us competitive access to the majority of its two trillion dollar export market. Shouldn't this be a game changer for Pakistan? The candid answer is "it depends".

Let's first look at what happened with the first phase of Pak-China Free Trade Agreement that was signed in 2006. The exports to China did increase thereafter, but not as much as the imports, leading to Pakistan's swelling trade deficit with China.

Was it a badly negotiated agreement? Well, it could have been negotiated better. For instance, only one product from Pakistan's top 20 garment exports was given category-1 concession with 0% tariff, whereas none of Pakistan's top exports was covered under category-2, with tariffs of 0-5% in five years.

But that was not the only problem. The FTA did offer 0% tariff on 35% of the products in five years. Yet by 2012, Pakistan's exports to China concentrated only on 6% of the products enjoying 0% tariff, depicting marginal use of this competitive access owing to a narrow export base. Moreover, soon after the FTA was signed, the ASEAN-China Free Trade Area was created, granting much more lucrative concessions to ASEAN countries, thereby eroding Pakistan's comparative advantage. Lastly, the non-tariff barriers also prevented exports in many categories.

While the CPFTA-II is much better negotiated, without substantial domestic efforts many of the granted concessions will at best result in export diversion rather than an absolute export increase. What we need is an increase in manufacturing capacity, coupled with enhanced competitiveness, trade facilitation and information dissemination. In many cases, the non-tariff barriers would have to be worked out as well. Besides new capacity, we also need to aim for export

sophistication, moving on to higher value-added products. Moreover, the free trade agreement should not be looked at in isolation and rather in conjunction with the China Pakistan Economic Corridor (CPEC). Not only has CPEC improved connectivity with China, but the special economic zones, under the CPEC, should also be used to attract investment in targeted sectors and products for which the FTA is expected to boost demand.

The private sector also has to play its part. Building a new market requires exploring new customers, investing in research and development, overcoming language barriers and making new partnerships. With entrepreneurs as trailblazers, the government should follow the private sector's lead and address technical barriers to trade in promising areas.

If we are serious about benefitting from the FTA and CPEC, the industrial, trade and investment policies should all have a single focus: how we can sell more to China.

<https://tribune.com.pk/story/2131615/6-sell-more-to-china/>

## **The Nation**

### **China, Pakistan launch naval exercises 'Sea Guardian 2020' on west coast of India**

The Arabian Sea exists as a connecting link between the Gulf countries and the Asian giants such as India and China. A joint exercise with Pakistan is expected to give immense exposure to China in the region, where India's arch rival has been deploying submarines and warships.

The sixth bilateral naval exercise between China and Pakistan, code named Sea Guardians 2020, commenced on Monday in the northern Arabian Sea, with the purpose of enhancing security cooperation between the two countries.

China is being represented by five major ships, including the guided-missile destroyer Yinchuan, the guided missile frigate Yuncheng, the comprehensive supply ship Weishanhu, and the submarine rescue ship Liugongdao.

Pakistan Navy has deployed two Zulfiqar class F22P/F21 frigates, two fast attack craft, one fixed wing anti-submarine patrol aircraft, two ship borne helicopters and more than 60 special operations soldiers.

The two sides will pursue a number of training objectives, including joint patrol, air defense, joint anti-submarine, maritime live firing, and joint marine training.

The drill will eventually become the basis for the "two navies to test and improve their technical and tactical capabilities, maintain regional marine security, learn from each other and enhance the level of cooperation, and synergy," Pakistan Navy said.

However, the Chinese side has maintained that it has nothing to do with the situation in the region and is not targeted at any third party.

The two countries have also been conducting warrior series exercises between the two ground forces and the eagle series between their air forces.

Overland access to the Arabian Sea through Pakistan holds prime importance for Beijing, as it will provide an alternative route to China in the event of a conflict with India near choking points such as the Strait of Malacca in the Indian Ocean region.

Currently, around two-third of China's fuel imports pass through the Strait of Malacca, which is very close to India's tri-service command, located at Andaman and Nicobar Island.

<https://nation.com.pk/06-Jan-2020/china-pakistan-launch-naval-exercises-sea-guardian-2020-on-west-coast-of-india>

**January 08, 2020**

**Daily Times**

## **Sino-Pak Agriculture Cooperation (Part I)**

*Muhammad Asif Noor*

Over the past 70 years since the engagement at diplomatic levels, Pakistan and People's Republic of China built relations in diversified fields ranging from political, economic, people to people, education, industry, military, defense, science and technology. These relations are beyond deeper than the sea, sweeter than honey and higher than mighty Himalayas and are wide-ranging covering every possibly field where both sides have made consolidated and strengthened bond of cooperation. The congeniality of interest and cooperation is ever increasing and rising for the past several decades. After the advent of Belt and Road Initiative (BRI) at the global forum and later China Pakistan Economic Corridor (CPEC) with particular focus on Pakistan as an important trade and infrastructure artery of BRI, the strength to strength comfort of commitment from both sides has magnified. CPEC, a network of highways, railways and energy projects, is now in its second and most important phase of cooperation with completion of the early harvest projects where focus is on the cooperation in the fields of agriculture, industrial cooperation and construction of Gwadar port. These projects will be completed and attention will be given to the socio-economic development of overall CPEC apart from new 27 projects has been launched in sub phase-wise. CPEC is one of the most active Corridors of cooperation of larger BRI and the overall time span of this important project with sub projects divided into three important phase since inception in 2014 onwards when first brick was laid down and work begin. The first phase was short term successfully completed in 2017, then medium term is expected to be completed by 2025 while the long term projects will be done by 2030. As Pakistan is an Agro based economy with large GDP contribution of this sector towards uplifting of economy and acting as a backbone of the economy, second phase is significant. Agriculture is the most important beneficiary both directly and indirectly from the development of the CPEC projects. As the CPEC cooperation is growing, we need to precisely look at where cooperation between China

and Pakistan is moving especially related to agriculture sector and what are the challenges that this sector has faced over the years which CPEC has proved as a lifeline.

With the advent of BRI and later CPEC has provided Pakistan the life line to connect to the world with the global economic lucrative markets. With shared destiny and concept of peaceful prosperity, China lends a hand to its friend of thick and thin

Almost a decade ago, as a result of Pakistan engagement in the US led war on terror, the country suffer score of the challenges in terms of the loss of economic and human resource. Pakistan was asked to ‘do more’ without taking into considerations the economic, human and overall societal losses that Pakistan as a non NATO ally. While the US opened another chapter of its notorious overseas war in Afghanistan in 2001, China made its entry in the World Trade Organization, which is an equal impactful and important event in the world economic history. World has witnessed that there is one country paranoid with its security and ambitious for lust for power has made the region to go for another while there is another country peaceful rising and lifting the world with its economic benefits, development and concept of shared destiny of prosperity. With the advent of BRI and later CPEC has provided Pakistan the life line to connect to the world with the global economic lucrative markets. With shared destiny and concept of peaceful prosperity, China lends a hand to its friend of thick and thin. This has provided Pakistan and its economy a much needed boost of not only helping to overcome the energy needs but also to build the better connectivity across the country, impacting the lives of the people immensely. This is what a friend does to another friend. The collaboration and cooperation is exemplary.

As agriculture is at the heart of Pakistan’s economic life, the second phase of the CPEC, attention has been given to the sector to uplift it overall and engagement will continue to grow with each phase. In Pakistan agriculture has been facing scores of challenges including old age methods, disease filled seeds and yields, challenges of technology and innovative methods for better corps, lack of research and implementation of better methods and variations of fertilizers and soil knowledge. Apart from these, lack of energy resources and effective water management was mission as well. The aim for building this sector in CPEC is not only to improve the overall farmer’s life but also link him with the local, regional and international markets.

(To be continued....)

<https://dailytimes.com.pk/534930/sino-pak-agriculture-cooperation-part-i/>

## **Pakistan Observer**

### **OBOR- a global vision of shared development**

*Muhammad Ahmad Saad*

THE Belt and Road project provides a wonderful opportunity to boost cooperation, build cooperative frameworks and share cooperation outcomes. Launched in the backdrop of slow global economic recovery, a host of new threats posed to economic globalization, and greater

calls for protectionism, President Xi Jinping's Belt and Road Initiative is an innovative and trailblazing concept. This initiative is not only bold and futuristic but also epic and historic. This vision has the potential to enhance the complementarity and synergy of development strategies. It has the potential to bring about lasting peace, stability and economic integration in the region. Rooted in the idea of 'bread and butter,' it is aimed at winning the battle for hearts and minds by making the people shareholders in the journey of economic development. It is also an effective recipe to neutralize and overcome the scourges of terrorism and extremism by empowering the peoples of different regions.

The incorporation of OBOR in the United Nation's Security Council resolution signals greater global ownership of the project and an affirmation of President Xi Jinping's vision and his visionary leadership. The importance and relevance of this vision of shared prosperity become all the more glaring when we look at it in the background of dire prospects for global development caused by the failure of neoliberal economics and re-emergence of geopolitical troubles in different parts of the world.

Historically, Belt and Road initiative seeks to restore and capitalize on the central role that ancient Silk Roads played in ensuring the prosperity of the peoples across regions and continents. Throughout history, Eurasia was crisscrossed with communication routes and paths of trade, which gradually linked up to form what is known, today, as the Silk Roads. It was not just the merchandise and other commodities that were traded through the vast networks. Rather, they were used as the means for constant movement and mixing of populations, which resulted in the transmission of knowledge, ideas, and different cultures. This shows that Silk Roads were not only dynamic and flexible opportunities but also had the capacity to adapt to demands of the times.

Cultural and intellectual interaction proved to be a robust source of building bridges and generating fresh ideas that reflected the evolving realities of that era. It is in this context that Pakistan looks at Belt and Road vision as the harbinger of a new era of connectivity and integration. The connectivity of different people remains at the heart of creating a community of nations with a common destiny. President Xi's unwavering advocacy of economic globalization is based on the sure foundation of connectivity among peoples. It is here that making the process of economic globalization 'more inclusive, more sustainable and more reinvigorated' is so crucial to fully benefit from its outcome.

The economic disparity between developing South and developed North is a glaring reality. The real potential of OBOR lies in bridging the yawning gap between the North and South through win-win partnerships. Hence, the scope of OBOR goes beyond being a network of global partnerships. It, rather, provides a fresh way of looking at and re-thinking regional and global cooperation by fostering greater people-to-people contact through enhanced cooperation in political, economic and cultural fields.

People of Pakistan remain grateful to President Xi for this gift of 62 billion dollars in the form of China-Pakistan Economic Corridor. Never in Pakistan's 72-year history has any friendly country

given such a development package! In fact, history has yet to record a parallel example of such generosity, and large-heartedness, not only in the region but also in the entire globe. To top it all, this mega development package comes with no strings attached, something unheard of in recent history.

It's important to note that breathtaking progress is being made in the implementation of CPEC in Pakistan. With the highest level of transparency, efficiency and effectiveness, the building blocks of CPEC are being installed. CPEC is reshaping the geo-economic landscape and is a game-changer, not only for Pakistan but also for the entire region. Consider the following: revival of new Silk Roads, which is at the heart of OBOR, ushers in a new era of hope and a break of a new dawn. OBOR expands the 'China Dream' to the people living along the Silk Roads. It seeks its betterment and overall welfare. OBOR is about shared prosperity, making peace and development the basis of interaction among peoples. OBOR seeks to turn Silk Roads into new pathways to discover humanity's limitless potential for growth and reconstruction. Above all, OBOR through CPEC is Pakistan's best passport to a new level of human development and progress.

President Xi Jinping's crusade against corruption has also inspired the PTI-led government to fight against corruption under the leadership of Prime Minister Imran Khan with the result that transparency has become the hallmark of incumbent PTI government. Given this background, it is noteworthy that both China and Pakistan have a tryst with a shared destiny. The bonds of friendship go beyond a mere six-decade long diplomatic relations. China and Pakistan also have a shared history of intellectual and economic growth. People of both the regions have been together for the past 2500 years, when Taxila, the center of Buddhism, was the home to the world's first Buddhist university and, indeed, the next 2500 years will also be even greater. The OBOR will be the key to make it happen.

(The writer is a freelancer and an MPhil scholar with a focus on South Asian politics)

<https://pakobserver.net/obor-a-global-vision-of-shared-development/>

## **Private investment in shipping sector in the context of CPEC**

*Kanwar Muhammad Javed Iqbal*

THE development of Pakistan's shipping industry is categorically important in terms of economic growth and national security. Globally, there are several success stories for shipping business which have established good market trends in a shorter period of time as compared to Pakistan. Malaysian International Shipping Corporation (MISC) and Singapore International Shipping Corporation (SISC) may be considered as role models in the shipping business. Malaysia had only two second-hand vessels in 1968, whereas now it is globally ranked 14 by CIA World Fact Book. Indonesia has shown a surprising exponential growth and faster track in shipping sector, which followed the development paths and policies of Malaysia.

On the other hand, according to Lloyd's List (March 2017), the Marshall Islands vaulted arch rival Liberia to become the world's second-largest ship register by deadweight tonnage. According to LLI, total deadweight on the Marshall Islands flag is now 231,853,515 dwt with 3,796 vessels. Panama remains the biggest flag by some way, with 352,670,914 dwt and 9,451 vessels. Liberia slipped to third place with 225,564,394 dwt and 4,050 vessels. This is importantly noticed in the context of flag of convenience through open registry procedures. The Greece shipping industry is one of the key pillars of the Greece economy with a contribution of around \$9 billion per annum.

In case of Pakistan, unfortunately, the number of national flag carrier is just 11 ships; whereas, contribution of private entrepreneurs is almost nil. From a sizeable fleet of more than 70 ships during early 70's, the present strength of Pakistani Flag Carriers is lower than any desirable threshold. Ironically, Pakistan pays almost over 3 Billion US\$ annually in seaborne freight charges to foreign carriers which is termed as the huge loss after the debt servicing and defense – a significant drain on the country's foreign exchange.

There is an enormous growth potential for shipping industry in Pakistan. Considering the recent years' trade growth trend and the present stagnation of the shipping industry, the total share of trade transported by the national carrier is going to shrink further and the country would be more dependent on foreign shipping. Conversely, this also means that there exists an even greater growth potential for private investment in the shipping sector especially in the context of CPEC and BRI which is an important avenue for country's strategy to enhance and sustain growth. The overall national economy would get a quantum jump once the CPEC is fully functional and then the role of Pakistan's shipping sector will be imperative.

Years of neglect, absence of long-term policies and the non-implementation of the ones which were ever devised, have taken a heavy toll on the local shipping. For the first time, the shipping was accorded the status of an industry in Pakistan Merchant Marine Policy 2001, but the current status is quite disappointing and challenging. Pakistani private ship owners have eight ships and all of them are registered in FOC countries. There are at least 6 Pakistani origin ship-owners working internationally that own at least 8 vessels (ownership of at least 75% equity in each vessel). These Pakistani origin ship-owners have registered their vessels outside Pakistan and refuse to adopt the Pakistani flag, their feedback is that they are weary of poor government policies, lack of understanding of international shipping by Pakistani authorities, inconsistency of policies, cumbersome procedures and memory of 1974 nationalization of private shipping companies.

Therefore, priority measures are required to jump-start Pakistan's shipping sector. Government needs to use UN Mandated rule of 40:40:20 to lift at least 40% of cargo. Recently, the Government has taken a good policy measure that all refined petroleum products will be on FOB with National Flag ships to carry them. PNSC is carrying the crude at FOB basis but the refined petroleum products are all through foreign flagged vessels at CIF basis. To lift the whole refined products, there is a requirement of 14 Panamax size tankers. There is no reason why half of these

ships cannot be under Pakistani Flag. The banks are willing to finance on assurance of long-term cargo availability.

With Pakistan's coal imports poised to increase from 11.5 Million to 40 Million tons in next 5-6 years; at present this is monopolized by a single importer, there is scope of another 3-4 Handy-max ships to be inducted if the FOB clause is enforced properly. On the same lines, edible oil import is again a monopoly of lifting 3.623 Million tons from Indonesia/Malaysia, needs to be on FOB basis and 2-3 ships inducted. In addition, there are many capacity building and institutional development measures needed to make Pakistani shipping sector and ports efficient and competitive. Confidence in government policies will take time to materialize before the private sector returns back. However, organizations like Bahria Foundation (BF) can take part in this opportunity. PNSC is definitely poised for increasing substantially its ship's numbers and tonnage. If the initial capital costs are high to finance with the banks then PNSC/BF may consider bare-boat charter for interim period.

The writer is Lead Researcher at National Institute of Maritime Affairs (NIMA).

<https://pakobserver.net/private-investment-in-shipping-sector-in-the-context-of-cpec/>

**January 09, 2020**

**Daily Times**

## **Sino-Pak Agriculture cooperation (Part-II)**

*Muhammad Asif Noor*

It is high time that Pakistan may rise again as agriculture products leaders with its strength to narrow and strengthen the trade imbalance between China and Pakistan hence aim to improve the agro-based exports from Pakistan to China. For this wish to come true, Pakistan needs to connect to the food value chain with that of China. It is pertinent to note here that China shares 20 per cent of the world's food production producing cotton, fish, rice, potatoes, tomato, tea, barley, corn and peanuts along with other important items including fruits. For instance, oil seed production is another important value crop meeting the demand of industry and share in export too. Other important cash crops of China are green and jasmine tea, black tea, sugarcane and sugar beets while the fiber crops are jute, hemp, flax and others that also include the century's old practice of raising silkworms and producing valuable silk materials. Pakistan can be a leading bread basket for the BRI food chain depending upon how well we use the technology and learning from China's leading expertise from the farms to fields, factories and best practices.

Since the inception of CPEC and its ongoing second phase, Pakistan Agriculture Research Council( PARC) has signed three major agreement of cooperation with different leading Chinese agriculture development, research and academic institutions these include Lanzhou University, China Agriculture University and Gansu Academy of Mechanical Sciences besides Ministry of

National Food Security & Research will also sign an MOU between Agriculture Research Council and China Machinery Engineering Corporation. These are the beginnings of long and strong cooperation wherein research, knowledge and scientific exchanges including training of the administrative staff/officers and administrative staff will be done. Taking the lead PARC has curated important projects to collaborate with Chinese institutions for agriculture machinery display and training centers, identification, adoption and testing of innovative postharvest processing technologies for value addition of fruits and vegetables in Pakistan and improving the capacity of the agriculture engineers, technicians and machinery manufacturers and also to find ways to collaborate for renewable energy technologies for the agro-based needs.

Pakistan can be a leading bread basket for the BRI food chain depending upon how well we use the technology and learning from China's leading expertise from the farms to fields, factories and best practices.

Apart from these basic uplift of the entire agriculture structure by building on these above mentioned initiatives, there is also another important step was taken by the Speaker National Assembly for establishing National Assembly Special Committee on Agricultural Products having largest number of Members of National Assembly (People's Representative) in the committee reflecting the significance of the agriculture in the mainstream decision making bodies and structures. The committee also reflects the value that agriculture has in our overall national ethos, values and politico-economic culture. The committee was established for the first time in the Lower House of the Parliament having representative from all the political parties, experts from leading Pakistan institutions to support and strengthen agriculture. The committee is also focusing on linking CPEC with the farmer and improving the lives of the local farmers trickling down the values and profits to the hardworking farmer's household hence strengthening the basic foundation of the economy. Apart from this a working group on agriculture under the CPEC has also been established. These two important structures are working in close collaboration with each other so as to maximize the overall benefits and uplift the agriculture sector for Pakistan.

There is a strong political and personal will from both Pakistan and Chinese side about working in close collaboration with each other in the Agriculture sector. Few of the areas that still need to collaborate on for technologies in hybrid seeds, crop production and management, bio insecticide, pesticides, setting of slaughter houses, capacity building of veterinary research institutes, disease diagnostics, surveillance vaccine development, innovation and production, diversifying animal feed, reproduction methods, honey bee management and hives including value addition to the bee farming. These are few of the mentioned areas however another important subject is about water management and use in agriculture sector and trainings for farmers to effective use of water in farming. Growing climate change and threats to crops, farming and overall agriculture is another these techniques and alternate crops are few other areas that both countries can work together.

CPEC is not only a game changer but a destiny changer for Pakistan and its populous. Agriculture sector is at the heart of Pakistan's economic life and as the mandate of both countries has continued to focus on this sector connected to the life of people; it is the right time to build synergies and learning experiences from each other to rise and shine for a better shared tomorrow.

<https://dailytimes.com.pk/535549/sino-pak-agriculture-cooperation-part-ii/>

## **Pakistan Observer**

### **US, UK, China top destinations of Pakistani exports: SBP**

The United States of America (USA) remained the top export destinations of the Pakistani products during first five months of current financial year (2019-20), followed by United Kingdom (UK) and China. The total exports to the USA during July-November (2019-20) were recorded at \$1744.415 million against the exports of \$1698.809 million during July-November (2018-19), showing an increase of 2.68 percent during the period under review, according to State Bank of Pakistan (SBP). This was followed by UK, wherein Pakistan exported goods worth \$728.120 million against the exports of \$753.054 million last year, showing decreased of 3.31 percent.

China was the at third top export destination, where Pakistan exported products worth \$727.480 million during the current financial year against the exports of \$741.643 million during last fiscal year, showing nominal decrease of 1.90 percent, SBP data revealed. Among other countries, Pakistani exports to United Arab Emirates (UAE) stood at \$663.883 million against \$538.786 million during last year, showing increase of 23.21 percent while the exports to Germany were recorded at \$533.048 million against \$549.071 million last year, the data revealed. During the first five months of financial year, the exports to Afghanistan were recorded at \$432.465 million against \$460.461 million whereas the exports to Spain stood at \$380.249 million against \$379.083 million. Pakistan's exports to Italy were recorded at \$324.971 million against \$322.660 million last year where as the exports to Bangladesh stood at \$297.676 million against \$314.108 million. Similarly, the exports to Belgium during the current financial year were recorded at \$226.668 million against \$252.240 million while the exports to France stood at \$188.902 million against \$192.340 million. Pakistan's exports to Singapore were recorded at \$109.006 million during the current financial year compared to \$119.586 million last year whereas, the exports to Japan stood at \$84.113million against \$91.932 million, to Indonesia \$32.412 million against \$138.031 million whereas the exports to India stood at \$15.518 million during the financial year against \$182.207 million during last year.

<https://pakobserver.net/us-uk-china-top-destinations-of-pakistani-exports-sbp/>

### **China attaches high importance to development of Gwadar**

China attached high importance to the development of Gwadar as a vibrant and prosperous city, hoping all the stake-holders will fulfill their responsibility in this connection, reports Gwadar Pro

App.

Until recently almost no one in the world has heard of Gwadar, a small fishing town in Pakistan. Gwadar is being touted as a big hub of the region, as Pakistan and China are expanding the avenues of cooperation and friendship through the China Pakistan Economic Corridor (CPEC). The port, being developed by the China Overseas Ports Holding Company Limited (COPHCL), offers numerous opportunities of socio-economic development for Baluchistan in particular and Pakistan in general. Although much has been said about the port, the City of Gwadar so far not meeting the desired results. The difference in speed and quality of development taking place at the port and the city is worrisome. While COPHCL is developing state of the art infrastructure to make the port operational as soon as possible, government authorities seem to be doing little to prepare Gwadar city for the up-coming economic activities in this region. Many stakeholders have also expressed deep concern that in the near future, this difference in development speeds will lead to grave incompatibility between the city and the port, resulting in challenges for both. This visible incoherence in the two urban landscapes is not the only concern, as Gwadar city also lacks basic infrastructure. If we take example from the successful urban centers such as China's Shenzhen and UAE's Dubai, they have followed effective urban governance models that have been the key to their growth. Examples of economic cities also provide roadmaps for new cities including Gwadar to follow in the future. There is an urgent need for the government to improve Gwadar city's infrastructure, so it is better equipped to host the businesses and labor force which the port is expected to attract. Policies and structures need to be implemented, for the creation of a city, which is not only friendly to businesses but also equally rewarding in its cultural and communal character to its locals and new settlers. For example, the city will raise sufficient revenues to focus on education, water, health, housing, and business opportunities for the local population and investors. Hence, the governance system should give due representation to local population to get a fair share in the economic opportunities being created in Gwadar city. Cities like Gwadar need to have higher autonomy, more flexibility in testing new and innovative policies such as incentives, while separate from the other parts of the country so that the repercussion from some not so successful policies doesn't affect the other parts. Such system of governance can be helpful for Baluchistan to earn revenues from economic activities in Gwadar. An efficient governance system is important particularly in the context of the Ease of Doing Business, involving streamlining the investment process, business registration and clearing cases. In administration the degree of efficiency in the management of local affairs matter the most. Therefore, a failure to create an efficient system of governance will in the long run turn into a failure to attract sufficient business and create a self-sustaining economy. The city should have the authority to implement economic incentives to attract business, such as tax breaks, cheap or even free land for a certain initial period, or cheap and stable supply of utilities, to improve the port city's competitiveness within the nearby region.

<https://pakobserver.net/china-attaches-high-importance-to-development-of-gwadar/>

## **Pakistan to export additional 500,000 tons rice to China**

Advisor to Prime Minister on Commerce, Textile, and Industry Abdul Razak Dawood has said on Wednesday that Pakistan has completed rice export target of 250,000 tons to China. The rice were exported under the duty-free incentive package of \$1 billion offered by China for Pakistan to lift its exports. Completing the target of assigned quota, Pakistan approached Chinese government to allow Islamabad to export additional 500,000 tons rice to Beijing, “The Pakistan’s request was accepted by the Chinese government” Abdul Razaq Dawood said. The advisor called upon the rice exporters to get benefit from this opportunity. Back in the month of July, a delegation of the Rice Exporters Association had called on Adviser to Prime Minister on Commerce, Textile, Industries and Production Abdul Razak Dawood. The delegation had thanked the adviser over taking steps for the removal of rice exports ban to Qatar.

<https://pakobserver.net/pakistan-to-export-additional-500000-tons-rice-to-china/>

## **The News**

### **CPEC has nothing to do with security cooperation: Yao**

ISLAMABAD: China’s Ambassador to Pakistan Yao Jing said on Wednesday that China Pakistan Economic Corridor (CPEC) is purely a commercial project that had nothing to do with security cooperation.

Both the countries, he said, now started establishing joint ventures (JVs) under CPEC framework of industrial cooperation for boosting Pakistan’s exports.

“We are now focusing on four Special Economic Zones (SEZs) including Rashakai, Dabji, Faisalabad and IT related SEZ in the federal capital. The SEZ requires state of the art infrastructure and there is share of localization of 80 percent so it takes much longer time to develop SEZ,” Ambassador Yao Jing said while addressing round table conference titled “Searching for Economic Security and Growth” organized by Institute of Policy Reforms (IPR) here at COMSTECH Auditorium on Wednesday.

He said that the second phase of Free Trade Agreement (FTA) would help Pakistan achieve its economic objectives. He said that he did not agree to this assertion that the first phase of FTA had wiped out Pakistan’s industry. He said that the number of Chinese labor working on different projects is decreasing. There are many projects, which are under construction with help of local partners, he maintained.

He said that both Pakistan and Chinese experts possessed different projections about Pakistan’s power sector requirements up to 2025 as surplus power exists but the Chinese companies working here in joint ventures complained that it required two years to get electricity.

He said that there were three new areas of future cooperation under the second phase of CPEC as industrial cooperation through joint venture were aimed at boosting exports as 11 joint ventures had already established in SEZ at Faisalabad. He said that agriculture sector cooperation on

account of establishment of joint laboratories and technical centers are under way. He said that 15 vocational centers would be established.

He said that the Business Forum was also established in order to increase capacity of big manufacturers to boost Pakistan's exports.

He said that there were 25 projects underway through CPEC mechanism and most of them would be completed in first half of the current year. He said that China wanted to convert Gwadar Port into commercially viable port. He said that the energy projects were completed and it was contributing 30 percent in national grid.

Moeed Yousaf, Minister of State and Special Assistant to PM on National Security and Strategic Policy Planning said on the occasion that his first assignment after joining the government was devising economic diplomatic strategy, as it required paradigm shift for achieving the desired results. The CPEC, he said, possessed important vision because Pakistan required sustained and long-term growth trajectory as it would help establish right kind of synergies to achieve the desired objectives.

Earlier, the IPR Chairman who is former minister Humayun Akhtar Khan made a presentation about reasons of perpetual economic crisis that always emerged when the country achieved higher growth trajectory so it again landed in IMF programme owing to eruption of balance of payment crisis. Humayun Akhtar Khan said that the higher GDP growth was key in case of East Asia and China for achieving prosperity as China excluded 700 million people from clutches of poverty. The economic growth, he said, linked to security and sovereignty of the country.

Since 1953, he said that Pakistan achieved average growth rate of 7 percent for only 12 years and the county achieved higher growth when external aid was received in abundance. Alarmingly, he said that the share of industry and agriculture had consistently fallen from 2000 to 2019.

He said that debt grew faster than GDP that's why the country landed in IMF programme for 22 to 23 times. The fragile macroeconomic conditions coupled with low savings and investment rates resulted in re-surfacing of imbalances on economic front. He said that the savings and investment in percentage of GDP required to be increased from 15 to 25 percent in order to unlock the real potential of growth for Pakistan.

Yawar Ali, Chairman Pakistan Business Council (PBC) said that Pakistan needed charter of economy. He said that the government would have to slash subsidies by bringing improvement in State Owned Enterprises (SOEs). He said that the biggest problem of the country was increasing population that would be required to reduce on immediate basis.

<https://www.thenews.com.pk/print/595903-cpec-has-nothing-to-do-with-security-cooperation-yao>

## K2 News

# آرمی چیف ایرانی چینی سفیر کی ملاقات میں امریکی وزیر دفاع کا فون

جنرل باجوہ سے یاؤ چنگ اور سید محمد علی حسینی کی مشرق وسطیٰ کے حالات پر مشاورت، کشیدہ صورتحال پر تبادلہ خیال

فریقین بیان بازی سے گریز کریں، سفارتی عمل کی طرف آئیں، امن کے لئے اقدامات کی حمایت کریں گے، آرمی چیف

واشington (انٹرنیک ایکس) پاک فوج کے سربراہ جنرل قمر جاوید باجوہ سے ایران اور چین کے سفیروں نے ایک ملاقات کی۔ پاک فوج کے جنرل باجوہ نے امریکی وزیر دفاع کے ساتھ ایک فون کیسے کیا۔ امریکی وزیر دفاع کے ساتھ ملاقات عامہ کے ذریعے جنرل باجوہ نے امریکی وزیر دفاع کے ساتھ ایک فون کیسے کیا۔ امریکی وزیر دفاع کے ساتھ ملاقات عامہ کے ذریعے جنرل باجوہ نے امریکی وزیر دفاع کے ساتھ ایک فون کیسے کیا۔

۔ ماہی رابطہ کی وجہ سے امریکی وزیر دفاع کے ساتھ ایک فون کیسے کیا۔ امریکی وزیر دفاع کے ساتھ ملاقات عامہ کے ذریعے جنرل باجوہ نے امریکی وزیر دفاع کے ساتھ ایک فون کیسے کیا۔ امریکی وزیر دفاع کے ساتھ ملاقات عامہ کے ذریعے جنرل باجوہ نے امریکی وزیر دفاع کے ساتھ ایک فون کیسے کیا۔ امریکی وزیر دفاع کے ساتھ ملاقات عامہ کے ذریعے جنرل باجوہ نے امریکی وزیر دفاع کے ساتھ ایک فون کیسے کیا۔

<https://www.epaper.dailyk2.com/index.php?pid=1&eid=1&nid=1&tnid=10514&date=>

**January 10, 2020**

**Business Recorder**

**Minister informs NA about CPEC projects**

*NAVEED BUTT*

ISLAMABAD: Minister for Planning, Development and Special Initiatives Asad Umar has said that total cost of CPEC projects including ML-1 Railway project is approximately \$ 50 billion out of which 13 projects at estimated cost of \$ 11 billion are complete, 13 projects at cost of \$ 18 billion are under implementation, whereas \$ 21 billion projects are in pipeline.

In a written reply to questions of the members of the National Assembly during the question hour session, the minister said that the second memorandum of understanding (MOU) with China is about to establish a joint working group under CPEC for promotion and implementation of the Socio-Economic Development Project through Chinese government grants and interest-free loans under CPEC and following six sectors are identified for cooperation; (i) agriculture, (ii) education, (iii) medicine, (iv) poverty alleviation, (v) water supply, and (vi) vocational training.

Responding to another question about amnesty schemes, Minister of State for Parliamentary Affairs Ali Muhammad Khan told the House that the previous Pakistan Muslim League-Nawaz (PML-N) government had collected Rs.123 billion against 76,958 persons who had availed the scheme while Pakistan Tehreek-e-Insaf (PTI) government has collected Rs.62 billion against 124,587 persons.

Parliamentary Secretary for Commerce Aliya Hamza Malik told the House that the country's exports enhanced by 4.79 percent during the first five months of current fiscal year. She said the trade deficit stands reduced by 35 percent which is a big success.

In a written reply to a question, the minister for finance and revenue acknowledged rising inflation and told the House that millions of rupees were spent on maintenance of official vehicles.

He said that Rs.190.56 million were spent by Finance Ministry and its subsidiaries on maintenance of 1,909 vehicles in last five years. He said that PRs 46.8 million were spent on 31 vehicles of Finance Ministry, Rs.46.4 million on 198 vehicles of Auditor General, Rs.9.2 million were spent on 54 vehicles of Zarai Taraqati Bank, Rs.49.4 million on 58 vehicles of National Bank and Rs.1.77 billion were spent on 1,490 vehicles of Federal Board of Revenue.

Responding to a calling attention notice moved by Ali Nawaz Awan, Minister for Power Umer Ayub told the House that the tariff structure is being revised of the electricity connections for tube wells meant for community based supply schemes.

He said talks are continuing with the NEPRA in this regard and the revised structure will bring down the power tariff for these tube wells.

Umer Ayub said Pakistan is a peace-loving country and Prime Minister Imran Khan has promoted the positive and soft image of Pakistan by opening the Kartarpur Corridor. He said the Sikh community across the world is recognizing and acknowledging this very positive step of Pakistan. He said the world on the other hand is criticizing discriminatory steps of Indian government against minorities and demanding withdrawal of the Indian Citizenship Act. Speaking on the floor of the National Assembly, Minister for Communications Murad Saeed said the benefits of economic stability achieved by the country in the year 2019 will now be transferred to the masses.

He pointed out that the government has launched Sehat Insaf Card scheme under which the card holders can get medical treatment up to seven hundred and twenty thousand rupees at the public and private hospitals.

He said the process to distribute 5.7 million Sehat Insaf cards has been started, adding 53,480 people will be provided with these cards in the federal capital by March this year.

The minister said the government has now launched a multibillion rupees relief package through Utility Stores Corporation for provision of essential commodities to the people at reduced rates. PPP MNA Abdul Qadir Patel said that inflation is at the highest peak in the history of Pakistan and the government should know the ground realities. He said that the prices of medicines have been increased from 300 percent to 400 percent. He said that poor people, small farmers and fisherman are in miserable condition due to price hike in the country. He claimed that the PTI government is eliminating middle class which is backbone of the country.

<https://epaper.brecorder.com/2020/01/10/20-page/819383-news.html>

## **Pakistan Observer**

### **Naval exercises carry Pak-China relations to new heights: CNS**

Chief of the Naval Staff Admiral Zafar Mahmood Abbasi on Thursday visited the (Navy) Flag Ship Yinchuan on the 4th day of the ongoing bilateral exercise 'Sea Guardians-2020'. The 6th bilateral exercise is being conducted between Pakistan and PLA Navies in which Chinese Flotilla comprising naval platforms/ assets along with PLA (Navy) Marines Corps Detachment is participating.

Upon his arrival onboard PLA (Navy) Ship Yinchuan, the Naval Chief was warmly welcomed by Deputy Commander PLA Southern Theatre Command Vice Admiral Dong Jun. A smartly turned out contingent presented guard of honor to the Naval Chief and was given briefing onboard. Thereafter, Admiral Zafar Mahmood Abbasi had a meeting with Deputy Commander PLA Southern Theatre Command Vice Admiral Dong Jun where matters of mutual interest came under discussion.

During meeting, the Naval Chief highlighted that exercise Sea Guardians is a manifestation of treasured friendship and mutual trust that exists between the two countries and the ongoing exercise will carry forward our relationship to new heights of glory. He further said that the

exercise is aimed at not only countering maritime threats together but also solidifying the common resolve of both the navies of ensuring regional peace and security. Admiral Zafar Mahmood Abbasi further expressed his hope that regular conduct of such exercises would further enhance the cooperation and interoperability between the two navies. Later, Chief of the Naval Staff also interacted with the PLA (Navy) ship's crew and appreciated their professional competence and morale. Deputy Commander PLA Southern Theatre Command Vice

Bilateral joint naval exercise 'Sea Guardians' is conducted between Pakistan and PLA Navies. Exercise Sea Guardians 2020, the sixth in the series, covers a wide spectrum of maritime and naval operations by Ships, aerial platforms and Marine forces.

<https://pakobserver.net/naval-exercises-carry-pak-china-relations-to-new-heights-cns/>

### **PRCS, China Foundation distribute 20,000 bags among school children Shafqat, Ambassador Yao ask children to be custodians of Pak-China friendship**

The Pakistan Red Crescent Society (PRCS) in collaboration with China Foundation for Poverty Alleviation distributed 20,000 school bags (18,500 to be exact) among students of the government-run schools in the federal capital. Though a small gesture, yet it was part of the people-to-people contact reflecting the second phase of the China Pakistan Economic Corridor (CPEC) in the words of the Chinese Ambassador Yao Jing. The bag distributing ceremony titled 'Panda Pack Distribution Ceremony' held at Islamabad Model School for Girls (IMSG) Sector F-7/1 here on Thursday. Federal Minister for Education and Professional Training Shafqat Mehmood was the Chief Guest on the occasion. PRCS Chairman Abrar-ul-Haq, Secretary General Khalid bin Majeed, China Foundation for Poverty Alleviation Vice President Wang Xingzui, Principal of the school Shabnam Afreen, diplomats, officers of the Federal Directorate of Education, PRCS, teachers, volunteers and students were also present on the occasion. Addressing the ceremony, Minister for Education and Professional Training Shafqat Mehmood said the economic cooperation between Pakistan and China was fast turning into people-to-people collaboration, adding that the distribution of thousands of Panda Packs in Islamabad by China Foundation for Poverty Alleviation in collaboration with the PRCS was a proof of the growing multi-faceted relations between the two countries. Chinese Ambassador Yao Jing said Pakistan and China were entering the second phase of CPEC that is largely about people to people contact and cooperation in social and cultural fields. The school bag distribution he said is part of that cooperation. CPEC, 50 vocational training institutes are being set up, 30 hospitals and fifty junior schools that is all about cooperation among the peoples of the two countries. He offered China's all-out support to the PRCS in its services for the ailing humanity. PRCS Chairman Abrar-ul-Haq who has recently assumed the charge of society, said he was deeply touched by the performance of the school children. The Panda Packs are not just school bags but a 'package of love' by China for the people of Pakistan, said he. Abrar was of the view that

around 61 per cent population of Pakistan lived in rural areas, where educational facilities were not up to the mark. He said distribution of school bags among rural students of the federal capital is a highly welcome initiative.

<https://pakobserver.net/prcs-china-foundation-distribute-20000-bags-among-school-children-shafqat-ambassador-yao-ask-children-to-be-custodians-of-pak-china-friendship/>

**January 11, 2020**

## **Business Recorder**

### **83pc of global exports liberalized in CPFTA-II: Commerce ministry**

*MUHAMMAD SHAFI*

KARACHI: Pakistan projects \$3.2 billion exports growth in case of minimum 5 percent realization of the free market access of 313 Pakistan's high priority tariff lines given by China under the Phase-II of China Pakistan Free Trade Agreement (CPFTA-II) which has been operationalized by January 01, 2020.

Dr. M Hamid Ali Joint Secretary (Foreign Trade-1) Ministry of Commerce in his presentation at a seminar said CPFTA-II has greatly secured Pakistan's export interest as around 83 percent of the country's global exports have been liberalized in the CPFTA-II as against 41 percent of the same in Phase-I.

Similarly, 91 percent of Pakistan's exports to China have been liberalized in Phase-II as against 30 percent liberalized in Phase-I. This liberalization covers 88.3 percent of China's global imports or \$ 1.6 trillion.

“If we captured only five percent market share out of the 313 tariff lines, our exports would surge up to \$3.2 billion and these projections are based on Chinese global imports in 2016.” Hamid said.

The sensitive list has been enhanced from 1410 in CPFTA-I to 1760 in the CPFTA-II after thorough consultation with the stakeholders.

The event titled ‘China Pakistan Free Trade Agreement Phase-II, Business and Export opportunities for Pakistan’ was jointly organized by TDAP and MOC here at a local hotel.

While highlighting the gains of CPFTA Phase-II, Hamid said provision has been introduced to address the Balance of Payment (BOP) difficulties. Effective enforcement of Electric Data Exchange will also ensure sharing of the real time trade data to discourage under invoicing and misreporting.

China has granted concessions to a set of products including textiles and garments, seafood, meat and other animal products, prepared foods, leather, chemicals, plastics, oil seeds, footwear as well as engineering goods including tractors, auto parts, home appliances, machineries, etc...

Safeguard Measures (SGM) have been invoked to temporarily restrict imports of a product which cause injury or threaten to cause injury to the domestic industry. SGM in CPFTA-I were inadequate to address the concerns of the industry.

Chief Executive (CE) TDAP Arif Ahmad Khan in his welcome address said that CPFTA-II offers enhanced and deeper market access to Pakistan as China has eliminated the tariff on 313 tariff lines of Pakistan's export interest, giving treatment at par with ASEAN.

The CE further remarked that CPFTA-II will help Pakistan in enhancing export from Pakistan to China in coming years.

Economic and Commercial Counsellor, Consulate General of China in Karachi Guo Chunshui briefed the audience about the trade profile between two countries and efforts involved in finalizing the CPFTA. He assured the support of Chinese Government in smooth implementation of FTA Phase-II.

The Vice President FPCCI Shaikh Sultan Rehman highlighted the role of FPCCI in finalizing the CPFTA Phase-II. He also shared his concerns that a lot is needed to be worked out from Trade and other government institutions in addition to MOC to realize the gains out of the 2nd phase of CPFTA.

The seminar was attended by businessmen from FPCCI, KCCI, women chambers, major trade associations and export sectors including textile, leather, agro food, chemicals industry, engineering etc.

<https://epaper.brecorder.com/2020/01/11/3-page/819416-news.html>

## Daily Times

### **China honors Atta Ur Rahman with highest Chinese scientific award**

Renowned Pakistani scientist Prof. Dr. Atta-ur-Rahman has been awarded the 'China International Science and Technology Cooperation Award', for the year 2020 which is the highest scientific award of China. This award was conferred on Prof. Dr. Atta-ur-Rehman by the President of China on 10th January 2020 in The Great Peoples Hall in Beijing.

Prof. Dr. Atta-ur-Rahman has received this award in recognition of his contributions in the field of chemistry and the numerous strong collaborations that he has developed with China in the fields of organic chemistry, genetics, pharmacology, agricultural sciences, virology, nanotechnology and other emerging areas. This prestigious award has previously been given to several leading scientists of the world including the Nobel Laureates, Dr. Carlo Rubbia (Nobel Prize in physics, 1984) and Dr. Zhores I. Alferov (Nobel Prize in physics, 2000).

Prof. Atta-ur-Rahman is the most decorated scientist of Pakistan having won 4 Civil Awards including Tamgha-i-Imtiaz, Sitara-i-Imtiaz, Hilal-i-Imtiaz and the highest national award Nishan-i-Imtiaz. Currently, Prof. Atta-ur-Rahman is serving as Chairman of Prime Minister's

Task Force on Science and Technology, Vice Chairman on Prime Minister's Task Force on Technology-Driven Knowledge Economy, and Co-Chairman, Task Force on Information Technology.

He has also served the nation as a Federal Minister of Science and Technology, and Founding Chairman of Higher Education Commission. He obtained his Ph.D. in organic chemistry from Cambridge University (1968). He has 1250 publications in several fields of organic chemistry including 775 research publications, 45 international patents, 69 chapters in books and 341 books published largely by major US and European presses.

He is the Editor-in-Chief of eight European Chemistry journals. He is Editor of the world's leading encyclopedic series of volumes on natural products "Studies in Natural Product Chemistry" 62 volumes of which have been published under his Editorship? During the last two decades.

As many as 82 students have completed their Ph.D. degrees under his supervision.

<https://dailytimes.com.pk/536950/china-honours-atta-ur-rahman-with-highest-chinese-scientific-award/>

## **Pakistan Observer**

### **Chinese envoy lauds Pakistan's efforts to expedite work on CPEC projects**

Minister for Planning, Development and Special Initiatives Asad Umar Friday said that the pace of projects under China Pakistan Economic Corridor (CPEC) would be accelerated in weeks and months to come. He was talking to Ambassador of China to Pakistan Yao Jing here on Friday. Matters relating to CPEC and economic cooperation between the two countries in general, came under discussion. The Minister expressed his satisfaction at the progress of various projects under CPEC. He said that the establishment and operationalization of Special Economic Zones (SEZs) is currently the top priority. The SEZ would enable setting up of joint ventures in manufacturing which would integrate the enterprises from both sides. Asad Umar emphasized that it was important for Pakistani manufacturing industries to become part of the global value chain by partnering with the Chinese companies. The Ambassador assured the minister that the Chinese side was keen to promote such relationships between businesses and manufacturing industries.

Collaboration in the agriculture sector was also discussed.

The minister said that massive potential exists in agriculture sector by modernizing and upgrading its various sub-sectors. He underlined the need to expand collaboration in agriculture sector, which is extremely important for the Pakistani economy. Yao Jing expressed the hope that bilateral partnership between the two countries would be taken to new heights in future. The Ambassador appreciated the government of Pakistan's efforts to expedite the work on CPEC projects.

Meanwhile, Ambassador Yao Jing, while addressing roundtable conference titled “Searching for Economic Security and Growth” organized by Institute of Policy Reforms (IPR) at COMSTECH, said China and Pakistan have started establishing joint ventures under China-Pakistan Economic Corridor (CPEC) framework of industrial cooperation to boost exports. “Our focus is now developing four special economic zones (SEZs), and it requires time to place state-of-the-art infrastructure to attract investment. The CPEC is regional project where companies from other countries can also invest,” Ambassador Yao said. The Ambassador said that the CPEC was purely a commercial project, and there would be three new areas of future cooperation under the second phase of CPEC. In fact, 11 joint ventures have already been established in the SEZ at Faisalabad for the purpose of boosting exports. He added that there were 25 projects underway through CPEC mechanism and most of them would be completed in first half of the current year.

<https://pakobserver.net/chinese-envoy-lauds-pakistans-efforts-to-expedite-work-on-cpec-projects/>

## **The News**

### **Pakistan lauds China for its timely support**

ISLAMABAD: China is establishing around 50 vocational centers in Pakistan and equipping the youth with technical skills to alleviate scarcity of education resources in the country.

“China always helps Pakistan in difficult times,” Pakistan Minister for Federal education and Professional Training Shafqat Mahmood said while addressing the school bags distribution ceremony of “Panda Pack Schools Bags” held at Islamabad Model School for Girls (IMSG).

The ceremony was organized by the Pakistan Red Crescent Society (PRCS) in collaboration with China Foundation for Poverty Alleviation (CFPA) and Federal Directorate of Education (FDE).

Under “Panda Pack Project”, around 20,000 Panda Packs/Schools Bags will be distributed to students in various rural areas of Islamabad Capital Territory.

Shafqat Mahmood said "Pakistan and China have a long history of friendship, but now it is deepening and strengthening with the passage of time. Our economic and social cooperation is improving, and interaction between civil societies of the two countries is growing," he added, “this is indeed a new era in which already good friendship between the two countries is becoming even stronger.”

Speaking on the occasion, Chinese Ambassador to Pakistan Yao Jing said China was ready to help Pakistan in its ‘Education for All’ project, adding that Chinese companies were willing to channelize more resources for human development in Pakistan.

Abrar ul Haq, chairman of PRCS, said around 61 per cent population of Pakistan lives in rural areas, where educational facilities are in scarcity, thus distribution of school bags among rural students of the federal capital is a highly welcome initiative.

In his speech, PRCS Secretary General Khalid bin Majeed said the PRCS envisages a long and productive partnership with the China Foundation for Poverty Alleviation to keep carrying out such effective and fruitful ventures in future. China Foundation for Poverty Alleviation Vice President Wang Xingzui said Panda was a symbol of peace in China, and the Panda Packs for the young kids are a token of best wishes and love for the Pakistani nation, reports Gwadar Pro App.

<https://www.thenews.com.pk/print/596929-pakistan-lauds-china-for-its-timely-support>

**January 12, 2020**

**Daily Times**

## **China, Pakistan to develop Faisalabad as a major industrial hub: Report**

China and Pakistan have decided to develop Faisalabad as a major industrial hub, through joint ventures.

According to Gwadar Pro App, China-Pakistan Economic Corridor (CPEC) opens many opportunities for the business community to make the city as an ideal one for economic growth.

Faisalabad, being the 2nd largest industrial city of Pakistan can achieve further economic growth, specifically in the industrial sector by utilizing these opportunities.

11 joint ventures are recently established in Special Economic Zone Faisalabad as a result of the three new areas of future cooperation under the second phase of CPEC which is aimed to boost the exports.

Earlier Prime Minister Imran Khan performed the ground breaking of Allama Iqbal Industrial Zone which was the first ground breaking of an Industrial estate under CPEC.

This project is expected to create around 300,000 jobs and attract PKR400 billion investment in automobiles, value-added textiles, engineering, pharmaceuticals, food processing, chemicals, construction materials, FGCG, and packaging sectors.

Not only will it contribute to the GDP and increase exports, but it will also encourage import substitution.

The central location of the city on the eastern route of CPEC along with its 4500 acres industrial estate located on the main M-3 motorway provides the ideal conditions for the setting up of new state-of-the-art industries.

The industrial city of Faisalabad meant for housing foreign and local investors besides giving impetus to economic activities in the country, is a second mega project of the Special Economic Zone of Faisalabad Industrial Estate Development and Management Company (FIEDMC).

The first already existing “M-3 Industrial City” is spanning over an area of 4356 acres, located on Motorway M-3, near Faisalabad city. It offers one window operation, the most important need for the business community, saving valuable time and money of citizens.

This one window operation included allotment of plots, provision of electricity, obtaining of NOCs / permits / registration from different government departments and provides all possible facilitation until the enterprise comes into full production and afterwards.

Faisalabad is hailed as the industrial belt of Pakistan and is home to the largest agricultural university in Pakistan and as well of Asia.

It is the country’s third largest economic state and the Manchester of Pakistan in terms of Textile and its apparel products. The economy is also enhanced by Faisalabad’s historic and cultural importance.

Being the Textile Industrial city of Pakistan Faisalabad brings the city one of the largest development budgets in the country with heaving 5 billion USD exports from textile made-ups.

It is also the most advanced in terms of infrastructure, having extensive and relatively well-developed road links to all major cities in Punjab and KPK and Sindh through M-3, M-4, a rail link and an international airport.

<https://dailytimes.com.pk/537696/china-pakistan-to-develop-faisalabad-as-a-major-industrial-hub-report/>

## The News

### **Pak, China Naval exercises continue in N Arabian Sea**

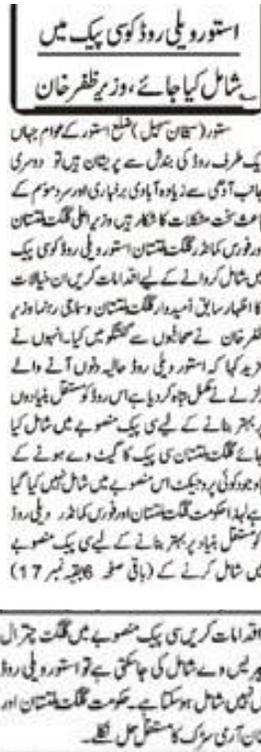
ISLAMABAD: The Pakistan and China joint naval exercises which are underway in the North Arabian Sea will be culminated mid-week as the move will boost cooperation, build a safe maritime environment and enhance the two navies' capability to deal with maritime terrorism and crime together. The nine-day exercise is taking place amid major developments in the region especially in neighboring waters. The monitoring reports show extremely satisfying results.

According to Chinese media reports the exercise, dubbed "Sea Guardians-2020," started in the port city of Karachi and being held in the North Arabian Sea until Tuesday, the People's Liberation Army (PLA) Daily reported. The Chinese troops mainly come from the PLA Southern Theater Command Navy, including guided missile destroyer Yinchuan, guided missile frigate Yuncheng, comprehensive supplement ship Weishanhu, submarine rescue ship Liugongdao and two vessel-based helicopters.

Pakistan will have two frigates, two missile boats, a fixed-wing anti-submarine aircraft and two vessel-based helicopters in the drills. They are conducting joint cruising, air defense, maritime interception, anti-submarine and live-fire shooting exercises at sea.

The goal of the Sea Guardians-2020 drills is to boost the two countries' military cooperation, enhance their all-weather strategic cooperative partnership, build a safe maritime environment and enhance the two navies' capability to deal with maritime terrorism and crime together, the





<https://www.epaper.dailyk2.com/index.php?pid=2&eid=1&nid=1&tnid=10525&date=15787872>

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**January 13, 2020**

**Business Recorder**

### **Chinese CG's Gwadar visit concludes**

GWADAR: Chinese Consul General in Karachi Li Bijian and several other government officials had finished their visit to Gwadar, after attending the inauguration ceremony of first LPG (Liquefied Petroleum Gas) Terminal at Gwadar Port.

It is reported that Gwadar LPG Terminal will supply gas to cities across Pakistan, thus the start of LPG Company at Gwadar Port is considered a great achievement, commencing a new era of economical uplift of Baluchistan, especially Gwadar.

While delivering a speech, Li said, "Being the region's most strategically located city, Gwadar Port and Gwadar Free zone shall attract billions of tones of products from overseas, and will make tremendous contributions to the economic development of not only Pakistan, but also Asia and the world."

Li reviewed the progress of projects undertaking in Gwadar, such as China-Pakistan Friendship Hospital, Faqeer Colony School, the New Gwadar International Airport, the East Bay

Expressway etc., presented at the symposium for Chinese enterprises based in Pakistan, and met with representatives of the local fishing community.

<https://epaper.brecorder.com/2020/01/13/5-page/819684-news.html>

## **Pakistan Observer**

### **China Mobile invests \$5b in Pakistan**

The China Mobile Pakistan (CMPAK) has made some massive contributions for the economic development of Pakistan with total Investments amounting to US \$ 3 billion with other investments in infrastructure worth over US \$ 2 billion. According to the press release, China Mobile Pakistan (CMPAK)'s Zong is covering 100 percent projects to be setup under the China Pakistan Economic Corridor (CPEC) project. Moreover, Zong has paid around Rs.134 billion Taxes paid in the last 12 years including Activation Tax, Custom Duty, Income Tax, Sales Tax, AIT, WHT, Payroll Tax, Royalty to Pakistan Telecommunication Authority (PTA), Stamp Duty, etc. and had also created 3,500 direct and over 200,000 indirect employment, it added. The CMPak's commitment to leading Pakistan's Digital Revolution would continue to reinvest all earned revenues in Pakistan whereas the Consumers Association of Pakistan (CAP) has also awarded Zong 4G for best services in country.

China Mobile Pakistan (CMPak) was a 100 percent owned subsidiary of China Mobile Communications Corporation. The pioneering overseas set up of China Mobile came through acquisition of a license from Millicom to operate a GSM network in Pakistan. Taken over in 2007 with a market share of only 2 per cent, Zong has seen exponential growth in the last few years to increase it by 10 folds to about 22.2 per cent. Currently, CMPak engages in the provision of cellular mobile voice and data services to the Pakistani market through 2G, 3G and 4G technologies.

<https://pakobserver.net/china-mobile-invests-5b-in-pakistan/>

## **The News**

### **Pakistani handicrafts displayed at the Chinese embassy**

Islamabad: Ambassador China Yao Jing has said relations between China and Pakistan are excellent adding these relations are getting stronger with the each passing day.

The Chinese ambassador made these remarks while speaking on the occasion of opening of Pakistan Crafts Exhibition held at the Chinese embassy. Pakistan Handicrafts Association arranged the exhibition in collaboration with the Chinese embassy. Federal Minister for Parliamentary Affairs Azam Swati was the chief guest.

The ambassador further said Pakistan handicrafts were famous worldwide adding both countries can cooperate in this sector also.

Ambassador Jing congratulated the handicrafts association for holding the mega event at the premises of the Chinese embassy. He assured that the embassy would continue to supporting such events even in the coming days.

Federal Minister for Parliamentary Affairs Azam Swati in his speech thanked the Chinese embassy for facilitating the event and providing the Pakistani artisan with an opportunity of exhibition their works. The minister and lauded the role of handicrafts association and exhorted them to continue the work with the same spirit.

<https://www.thenews.com.pk/print/597772-pakistani-handicrafts-displayed-at-the-chinese-embassy>

## **The Express Tribune**

### **Sino-Pak FTA-II: will Pakistan benefit?**

*Ali Salman / Beenish Javed*

ISLAMABAD: China and Pakistan have signed phase-II of the free trade agreement (FTA), which has become effective on January 1, 2020, 15 years after the phase-I was operationalized.

In this article, we weigh the possible benefits Pakistan can draw from this agreement.

China is already ranked as the second largest export destination for Pakistan with a share of 8% in Pakistan's total exports, after the United States (17%).

Unsurprisingly, Pakistan's exports to China are heavily concentrated in a few products such as cotton and rice, which account for 75% of Pakistan's total exports to China.

China also occupies the largest share in Pakistan's total imports at 29%. Since the Sino-Pak FTA, the trade volume between the two countries has increased from \$2.2 billion in 2005 to approximately \$15.6 billion in 2019.

Pakistan's exports jumped to \$1.74 billion in 2017-18 from \$575 million in 2006-07. Correspondingly, China's exports to Pakistan increased to \$15.74 billion in 2017-18 from \$3.5 billion in 2006-07.

The bilateral trade balance has remained tilted in China's favor as Pakistan's exports to China could not keep pace with its imports from the country.

In FY19, the trade deficit with China came down to \$10.89 billion, which accounted for 34.22% of Pakistan's total trade deficit.

According to Adviser to Prime Minister on Commerce and Investment Abdul Razak Dawood, the FTA-II is targeted to generate an additional \$500 million in exports in its first year of implementation. Hopes are high.

A review of the new FTA deal reveals that market access given to Pakistan is on a par with Asian member countries – something that was missing in the previous FTA and, therefore, was a major concern for Pakistani exporters.

It also seems that the private sector has been thoroughly consulted before operationalizing the agreement.

The FTA-II offers new opportunities to the exporters. This calls for joint efforts by the government and the private sector to turn these opportunities into concrete gains for Pakistan, otherwise, this may become another case of GSP Plus status, which could not be leveraged substantially.

Some challenges to convert this opportunity into material gains are worth repeating.

A high cost of production and the subsequent lack of competitiveness has always been a setback for the major export industries such as textile and leather.

Industrialists should utilize the provisions under the new phase to import cheaper inputs and focus should also be placed on product branding and marketing as this remains a weak area of the country's trade strategy.

It is pertinent to note that neither the new FTA nor the previous one catered to the stringent non-tariff barriers (NTBs) that restrain Pakistan's agro-based exports to China.

According to the World Trade Organization (WTO), in 2016 alone, China initiated and enforced 87 technical barriers to trade and 12 sanitary and phyto-sanitary cases on exports of certain products from Pakistan such as organic chemicals, oilseeds, meat, fruits, grains, seeds, animal fodder, etc.

Including a provision or two on the NTBs in the new FTA could have been beneficial for boosting agro-exports to China.

Since Pakistan will be lowering its tariffs for China on 5,237 items over time, there is a possibility of increased import bill given the nature of those items (high-value products). Not to mention, the devaluation of Yuan amidst the US-China trade war is also not auguring well for Pakistan.

Therefore, we should proceed with caution since China has a strong manufacturing base for export of goods as compared to imports.

Nonetheless, the ball is in Pakistan's court now. It needs to take certain measures so as to ensure exports grow in the long run.

Firstly, it is important that Pakistan examines the impact of reduced tariffs on each product and correspondingly rationalizes its import tariffs to avoid trade diversion as happened previously.

Secondly, Pakistan needs to expedite the completion of Special Economic Zones (SEZs) under the China-Pakistan Economic Corridor (CPEC) so that Chinese investments can flow into the sectors that will benefit from the new FTA.

Thirdly, there are various internal barriers to trade that require attention such as cumbersome regulations, poor infrastructure, multiplicity of taxes, high energy prices, lack of research and development, just to name a few.

Therefore, unless the government improves the regulatory environment, enhances supply capacity, broadens export basket and takes measures to develop a footprint in global value chains, FTAs will do little to improve Pakistan's struggling exports in the long run.

The writers are affiliated with PRIME Institute, an independent economic policy think tank based in Islamabad.

<https://tribune.com.pk/story/2135741/2-sino-pak-fta-ii-will-pakistan-benefit/>

**January 14, 2020**

**Pakistan Observer**

## **Business environment improving under CPEC, Says Chinese scholar**

Pakistan business environment has shown considerable improvement in recent years under CPEC, as it is ranked 108 among 190 economies in the WB Ease of Doing Business ranking. This was stated by the Chinese scholar Zheng Xizhong, while reviewing the impact of CPEC on Pakistan's economic growth, according to Gwadar Pro App. Pakistan has secured a place among world's top 10 business climate improvers. International credit rating agency Moody's has also upgraded Pakistan's credit rating outlook to 'stable' from 'negative'. Foreign companies have made additional investments in Pakistan. Last October, Hong Kong-based port operator Hutchison Port Holdings committed investment of \$240 million for container terminal capacity increase at Port of Karachi. In the same month, Nestlé inaugurated a new juice plant worth \$22 million in Punjab to increase its production capacity in Pakistan. Cargill and PepsiCo, global food and agricultural producers, both said they would expand or make new investment in Pakistan.

Fundamentally speaking, the successful development of the China-Pakistan Economic Corridor (CPEC) in recent years has ushered in historic development opportunities for Pakistan. Second, as I have often said, the construction of the CPEC, Pakistan's strategic position, Pakistanis' love for peace and their keen expectation for a better future, have made the world's major investors termed Pakistan as a place of huge potential and immense investment value. Third, Pakistan's security situation has improved substantially, as the government issued a series of favorable policies, and the business environment improved significantly. Fourth, China is one of the world's major investors. Its huge investment in Pakistan has played an important leading role and Pakistan is now China's largest investment destination in South Asia. If anyone asks about the biggest problem for Pakistan's investment environment, it might be the political stability, which now worries foreign investors most. Therefore, in order to attract more and more domestic and foreign capital to invest in Pakistan, the stability of the political situation and the government, and the continuity of policies should be well maintained. There should be judicial guarantee for the continuity of policies, so the investment policy will not be affected by the change of government, Cheng Xizhong added who is the visiting Professor at Southwest University of Political Science and Law.

<https://pakobserver.net/business-environment-improving-under-cpec-says-chinese-scholar/>

**January 15, 2020**

**Dawn News**

**Chinese navy, PN end joint exercise**

KARACHI: The sixth Exercise Sea Guardians 2020 between Pakistan Navy and China's People's Liberation Army (Navy) ended on Tuesday, according to a statement issued by the navy's media wing.

Deputy Commander of Southern Theatre Command PLA (Navy) Vice Admiral Dong Jun graced the closing ceremony as its chief guest. Commander of Pakistan Fleet Vice Admiral Asif Khaliq was also present on the occasion.

The ceremony was attended by a large number of military officials from both the navies.

Vice Admiral Khaliq expressed his gratitude to the Southern Theatre Command for their engagement and joint collaboration in the exercise. He also expressed satisfaction over the mutually beneficial and professionally rewarding conduct of the exercise.

He also emphasized that such interactions will further improve exchange of professional experience in maritime threats, developing a synergistic approach in naval domains and stepping up the capabilities to ensure safe and sustainable maritime environment in the region.

Earlier, Vice Admiral Dong hoped this exercise would further enhance bilateral relationships and cooperation between the two countries in general and navies in particular.

During the exercise, Pakistan Navy and PLA (Navy) Flotilla comprising naval platforms and assets along with Marines Corps Detachments carried out advance level joint drills and naval maneuvers in North Arabian Sea. The harbor and sea activities of the exercise were also witnessed by senior officials from both navies.

<https://www.dawn.com/news/1528381/chinese-navy-pn-end-joint-exercise>

**Pakistan Observer**

**China remains top importer, traded products over \$4.025b**

With its US \$ 4025.177 million imports to Pakistan, China remained the top importer of the country during the first five months of current financial year (2019-20), followed by United Arab Emirates (UAE) and Singapore.

During the month of November, 2019, the total imports from China witnessed negative growth of 5.49 percent during the period under review as compared to the imports of US \$ 4259.085 million of last financial year, according to the data issued by State Bank of Pakistan (SBP). This was followed by UAE, where from Pakistan imported goods worth US \$ 3070.454 million against the imports of US \$ 4300.905 million last year, showing decline of 28.60 percent.

Singapore was at third top country from where Pakistan imported products worth US \$ 917.708 million against the imports of US \$ 771.262 million last year, showing the decrease of 48.18 percent, SBP data revealed.

During first month of current financial year, among other countries, Pakistan's imports from Qatar stood at US \$ 794.654 million against US \$ 786.815 million during last year, showing nominal increase of 0.99 percent while the imports from United State of America (USA) were recorded at US \$ 729.167 million against US \$ 747.560 million last year, showing decrease of 2.46 percent, the data revealed. The imports from Saudi Arabia were recorded at US \$ 622.855 million against US \$1309.231 million whereas the imports from Japan were recorded at US \$ 519.089 million against US \$ 680.868 million last year. During the period under review, the imports from Indonesia were recorded at US \$ 425.935 million against US \$ 495.532 million whereas the imports from Kuwait stood at 422.371 million against US \$ 484.566 million. Pakistan's imports from Malaysia were recorded at US \$ 392.199 million against US \$ 443.824 million whereas the imports from Germany stood at US \$ 389.059 million against US \$ 452.929 million, the data revealed.

Similarly, the imports from Thailand during the period under review were recorded at US \$ 375.100 million against US \$ 484.313 million while the imports from South Africa stood at US \$ 339.823 million against US \$ 295.634.

Pakistan's imports from Hong Kong were recorded at US \$ 291.769 million during the financial year compared to US \$ 352.054 million last year, whereas the imports from South Korea stood at US \$ 290.545 million against US \$ 336.995 million.

<https://pakobserver.net/china-remains-top-importer-traded-products-over-4-025b/>

### **PRCS, Chinese Embassy agree to set up CAPY Forum**

Chinese Ambassador Yao Jing and Pakistan Red Crescent Society (PRCS) Chairman Abrar Ul Haq on Tuesday agreed to set up China-Afghanistan-Pakistan Youth (CAPY) Forum to bring young people from the three countries on a single platform and provide them with an opportunity to learn from each other's experiences as well as present their ideas and concerns. Ambassador Yao Jing visited the PRCS National Headquarters and held a meeting with Chairman Abrar Ul Haq. During the meeting, both discussed ways and means to enhance collaboration between PRCS and the Red Cross Society of China. Ambassador Yao Jing said Pakistan and China are friends for long and the bilateral relationship has entered into a new phase now, with the addition of social sector cooperation and human development projects in China-Pakistan Economic Corridor. He said the economic cooperation between Pakistan and China is fast turning into people-to-people collaboration. The ambassador said the proposed forum will not only help boost people-to-people contacts between the regional countries but also prove as a platform for volunteer training and skill development of the youth in order to make them skilled and useful citizens of the society. He said the Chinese embassy is ready to offer maximum support to the PRCS in youth development, health sector, climate change and ambulance service. PRCS

Chairman Abrar ul Haq hailed the contribution of the government and the people of China in overall development and progress of Pakistan. He said China recently provided a massive financial support for the victims of Baluchistan rainfall and Mirpur earthquake. Like the Chinese government, the Red Cross Society of China has always been in the forefront of providing relief items to the PRCS during major disasters in Pakistan, he said, adding that the Chinese assistance and support is an asset to the people of Pakistan. He hoped that cooperation between PRCS and the Red Cross Society of China will grow in the times to come. Later, PRCS Chairman Abrar ul Haq presented a shield to the visiting dignitary. PRCS Secretary General Khalid bin Majeed briefed the Chinese Ambassador on PRCS Programs and future initiatives.

<https://pakobserver.net/prcs-chinese-embassy-agree-to-set-up-capy-forum/>

## **Pakistan and future of CPEC**

*Naveed Aman Khan*

PAKISTAN needs to keep its focus on political stability for the success of its economy and thus CPEC. Politically, China is a stable country. For its success, Pakistan needs to follow Chinese model. The relationship between Pakistan and China underwent a strategic transformation in 2016 with the launch of the China-Pakistan Economic Corridor (CPEC), which reinforced the already strong ties between the two countries. Initial investment under the CPEC banner helped Pakistan overcome chronic electricity shortage and led to the up gradation of the country's road networks. However, CPEC projects have also been associated with a strain on both the fiscal and current accounts, dragging down the pace of development during 2018. Although the current Pakistani government seeks a greater emphasis on industrial cooperation, we expect the original framework of the CPEC to remain largely intact with a strong focus on physical infrastructure.

With a total estimated value of around US\$64bn, intended for dozens of projects spanning the energy, infrastructure and industrial sectors, the CPEC is China's largest bilateral partnership under its Belt and Road Initiative (BRI). It was touted by the former PML (N) government as an economic lifeline which promised to deliver sorely needed foreign investment to the country. However, when the PTI formed a coalition government after the general election in July 2018, it tried to renegotiate the terms of certain projects and to reshape others. So far there have only been limited changes and the CPEC plans have largely been retained. Since coming into power, the PTI, led by Premier Imran Khan, has had to deal with harsh economic realities while deciding the future course of engagement with China.

Following a few years of moderate growth and rising aggregate demand, the economy started to slow down in 2018. After annual growth of 5.6% on average during fiscal years 2015-17 (July-June), Pakistan's GDP grew by 5.4% in 2017-18, and expansion was expected to slow further in 2018-19. Meanwhile, the fiscal and current-account deficits ballooned to the equivalent of 5.4% and 5.8% of GDP respectively in 2018, compared with 5.2% and 3.9% of GDP respectively on average in 2016-17. The pressure on both the fiscal and current accounts over the last year and a half has been driven by a drastic increase in imports.

This is largely attributable to the highly capital-intensive nature of the CPEC projects undertaken so far, which have mainly focused on power plants and road infrastructure. This partly contributed to not only higher government spending, but also a drastic increase in imports, resulting in pressure on both the fiscal and current accounts. Consequently, a number of CPEC projects slowed down or were halted during the second half of 2018. According to the official definition of the initiative, which was mutually agreed between Pakistan and China, the CPEC is based on the so-called one plus four framework, which prioritizes Gwadar port, energy, transport infrastructure and industrial cooperation. So far, almost all of the completed and ongoing projects – with cumulative investment amounting to around US\$19bn – have been in the power and transport sectors.

The power projects have been largely financed by Chinese firms and banks under the BOT (build-operate-transfer) model, while road projects have been carried out through a combination of bilateral loans from the Chinese government and fiscal outlays from Pakistan. The PTI-led government has indicated its intention to shift the focus of the CPEC more towards industrialization and socio-economic development. In particular, it wants to start activating the nine special economic zones that were originally planned under the CPEC, in the hope that Chinese industries will relocate or set up joint ventures with local parties in these zones. The Pakistani government is also keen to accelerate the development of Gwadar port, on the Arabian Sea in Baluchistan province, with the aim of transforming it into a trade hub.

Notwithstanding the desire to streamline the focus of the CPEC towards deeper industrial development on the Pakistani side, the CPEC portfolio is likely to remain skewed towards the energy sector in 2019-20, with six ongoing power projects estimated to add a combined 6,910 MW of electricity to the national grid once completed. Alongside energy, transport infrastructure will continue to comprise a sizeable part of the initiative, with the largest project being the up gradation of the Karachi-Peshawar main railway line (“ML-1”), at an estimated cost of US\$8.2bn. On the other hand, success in promoting industrialization in Pakistan under the CPEC via the planned special economic zones is likely to be limited. Although the government has promised reduced red tape and tax concessions, a broadly difficult business environment will continue to deter investors. Export-oriented Chinese firms facing rising labor costs at home could consider relocating to the SEZs in Pakistan where wages are much lower.

However, the lack of requisite skills and supply linkages in the local market is likely to present a problem, particularly for higher-end manufacturing segments such as electronics. Other markets, especially in South-East Asia such as Vietnam, are likely to remain much more competitive in attracting Chinese manufacturing. It is believed that China’s dominant role in Pakistan’s economy will continue to grow during the forecast period, even if the CPEC unfolds at a slower pace hereafter. The financial sector in particular is likely to receive further investment.

Key recent examples of this include the 40% acquisition of the Pakistan Stock Exchange by a consortium of three Chinese bourses in December 2016, and the full buy-out of Pakistan’s leading online retailer, Daraz, by a Chinese e-commerce giant, Alibaba, in May 2018. For

Pakistan, despite some misgivings around debt obligations associated with the CPEC, China remains the largest source of foreign investment, as well as a key strategic ally. China-Pakistan cooperation has grown beyond the economic sphere to include defense and security. The CPEC will remain the fulcrum around which the two countries are set to enhance cooperation in the coming years. Pakistan needs to keep its focus on political stability for the success of CPEC.

(The writer is a freelance journalist based in Islamabad)

<https://pakobserver.net/pakistan-and-future-of-cpec/>

## **CPEC framework and US-Iran conflict**

*Kanwar Muhammad Javed Iqbal*

Growing concerns have been observed regarding the momentum of China-Pakistan Economic Corridor (CPEC) projects under Belt and Road Initiative (BRI), particularly for the Gwadar Gateway development during the current governance regime in Pakistan. But, the ongoing progress on CPEC projects can be seen quite satisfactory considering the recent projects including a 300MW Gwadar Coal Power Plant, New Gwadar International Airport and Motorway sections. Work for the establishment of Allama Iqbal Industrial City adjacent to SEZ M3 Faisalabad will not only meet the country's growing demand for textile, steel, pharmaceuticals, engineering, chemicals, food processing, plastics and agriculture supplement etc., but also complement export and FE earnings. The ultimate outcome of CPEC projects would provide brighter prospects to the GDP growth rate of Pakistan.

The regional connectivity agenda of CPEC Framework aims to uplift socio-economic status and bring prosperity through peace and strong economic cooperation with enhanced unimpeded bilateral and multilateral trade. It will have positive impact on Pakistan, China, Iran, Afghanistan, India, Central Asian Republics, the region and beyond. On the 1st of March 2017, the "Islamabad Declaration and Vision 2025" as conclusion of the 13th ECO Summit was considered a very significant development for further accelerating the progress towards ultimate outcome of CPEC framework for regional connectivity, particularly through Gwadar Gateway. It is also pertinent that Pakistan and Iran have clear vision to ensure complementing role of Chabahar and Gwadar ports.

However, the essence of BRI and CPEC Framework for regional connectivity together with ECO Vision 2025 is facing so many challenges for which recent US-Iran tension is very critical though the market challenges, potential threats and geo-political turbulence were best evaluated by the Chinese Communist Party thus included the BRI in its constitution during the 19th Party Congress in October 2017, proves beyond any reasonable doubt that the concept has a central place in China's foreign policy going forward. The Chinese Government had done already the risk analysis and tried to focus on all important dimensions of BRI i.e. policy coordination and advocacy, facilities connectivity, unimpeded trade, financial integration and development of people-to-people bonds.

Now question arises, whether the Chinese BRI risk management strategy had already foreseen any unpleasant development between the US and Iran or need to revisit the existing response strategies or such a development would not affect this initiative? It might have devised a good strategy for any possible US-Iran conflict provided if it had taken into account various regional geo-political scenarios soon after the announcement of BRI by President Xi Jinping in 2013 and well before reaching Iran's nuclear deal JCPOA in 2015. As a result of JCPOA, Iran's real gross domestic product growth rate surged to +13.4% in 2016 by flocking of foreign companies largely due to unconstrained by international sanctions, whereas Iranian GDP was stood at -1.3% in 2015.

In the recent past, the US has used sanctions as tool to pressurize Iran and limit Chinese cooperation with it. The US uses sanctions as its most powerful tool by taking the advantage of its world's reserve currency due to which it can deny global market access to any company or individual. Thus, the US government created troubles for China-Iran cooperation with rounds of sanctions on Chinese companies particularly for ship-building, energy and technology companies like ZTE for helping Iran. The most notable act by the US was against Chinese Huawei in which Meng Wanzhou, the Chief Financial Officer of Huawei, was detained in December 2018 in Canada. US alleged that she and her Company helped Iran. But, the incident set off an international controversy and Meng still remains under house arrest. In retaliation, two Canadians remain in Chinese detention.

Iran is one of the biggest energy producers and China is one of the biggest energy consumers in the world. It is also fact that the Iranian oil is the backbone of relationship between China and Iran. Approximately one third of Iran's total export goes to China, out of which share of crude petroleum is about 64%. The U.S. granted China waivers to import Iranian oil for several months after exit from the deal, but they expired in May 2019. During the last few years, Iran has suffered a lot but survived under crippling sanctions imposed by the United States because of China's subtle assistance.

It is ground truth that China is the only substantial economic lifeline for Iran in the emerging scenario. But, the Trump Administration's sanctions also imposed on countries that purchase Iranian oil thus to hit Iran hard thus Iran's oil exports would be plummeted once the sanctions took effect. In the context of Sino-Asian shift, there are strong arguments and growing perception that the US actually wants to curtail China along with Iran in one way or the other. However, China and Iran have learnt means of cooperation in such a prevailing condition and are likely to explore new avenues to cope with US sanctions. Whereas, fate of Chinese companies is unclear for Pakistani context as same companies may be involved for CPEC interventions as well as in Iran.

Considering the various aspects, it may be wise to conclude that the true spirit of CPEC Framework would likely be undermined to a greater extent due to US-Iran conflict. While the US sanctions would likely have trickle-down effect on CPEC-related investment and trade window, some apprehensions are that the US can try Pakistan to influence negatively or jeopardize its

neutral stance. It would be also quite complex to have unconstrained bilateral and multi-lateral choice particularly in the region under ECO scope so as to achieve ultimate outcome of CPEC. Therefore, Pakistan needs to carry out a risk analysis for different possible scenarios of US-Iran conflict and develop a risk management and diplomacy strategy for the overall CPEC framework of regional connectivity and maintaining its neutral role.

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