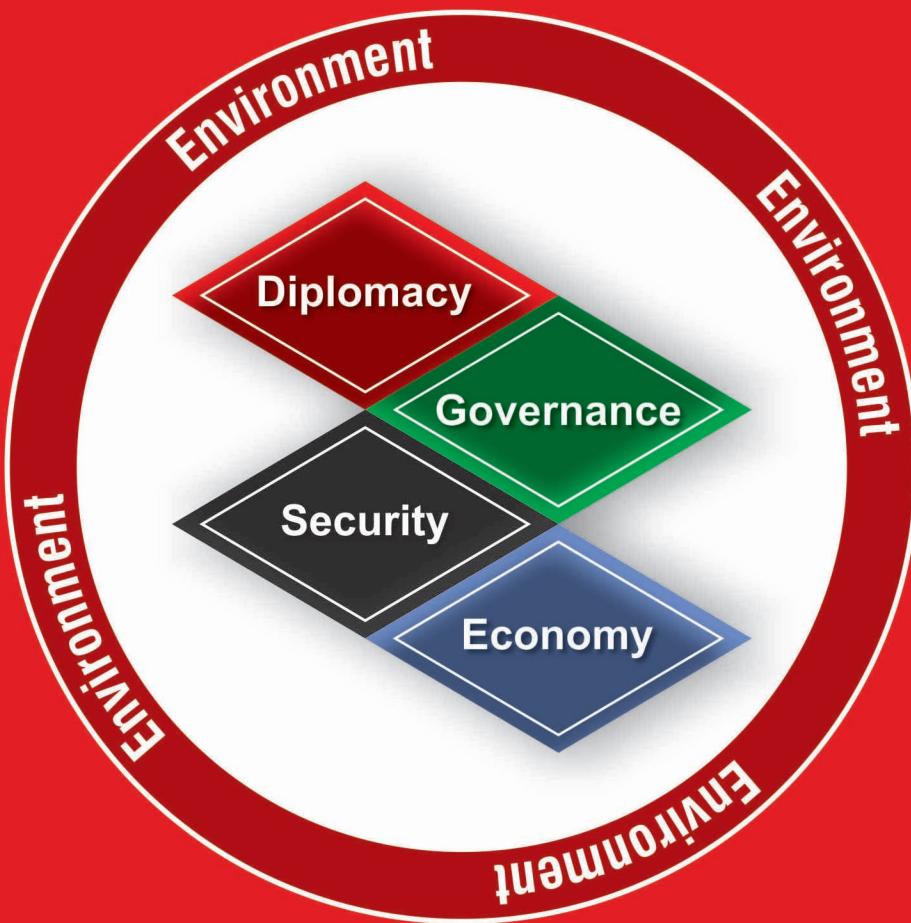


UNDERSTANDING CHINA FOR FUTURE COOPERATION

深入理解中国 提升中巴合作

Shakeel Ahmad Ramay



UNDERSTANDING CHINA FOR FUTURE COOPERATION

Shakeel Ahmad Ramay

2020

All rights reserved. No part of this book may be reproduced or transmitted in any form or by any means, electronic or mechanical, including photocopying, recording or information storage and retrieval system, without prior written permission of the publisher & Author.

First Edition: 2020

ISBN: 978-969-8344-28-3

Price: 1500.00 PKR

Printed by: WordMate, Islamabad

Table of Contents

Acknowledgement	vii
Foreword	ix
Introduction	xiii
Part – 1	1
Chapter 1: Diplomacy Through Shared Prosperity	3
Chapter 2: Eco-Civilization: A Chinese Vision of Prosperity	27
Chapter 3: Governance and development model of China	49
Chapter 4: 21st Century Global Order Factors Behind Change	71
Chapter 5: Road Map for Second Phase of CPEC	101
Chapter 6: Security Vision of China	121
Part – 2	129
CPEC for Sustainable Development	131
CPEC and the Sustainable Development it Brings to Pakistan	133
Pakistan Should Target to Become Moderately Developed Country	137
CPEC Is Set to Transform Pakistan’s Economy	141
Opportunity Cost of No CPEC	145
Joint Working Group of CPEC and Quest for “Shared Destiny”	149
Eco-Civilization, BRI Summit, and CPEC	153
CPEC: Corridor of Peace and Prosperity	157
Second Phase of CPEC and the Role of CPEC Authority	161

COVID-19 and Expansion of CPEC?	171
Future Framework of Cooperation	175
To absorb economic shock, set up SEZs	179
A new wave of progress for Pakistan under CPEC	183
Pakistan's agriculture sector and CPEC	187
Political Economy of CPEC	191
CPEC: Do Not Test the Patience of Partners	193
Overselling of CPEC Diverts Attention from Other Sectors	199
The Political Economy of China Pakistan Economic Corridor	203
CPEC: Politics of In-Efficiency	213
CPEC Puzzle	219
CPEC Hangover	223
CPEC: the way forward	227
PM's Visit to China and Need to Re-Set Economic Order	231
Pak-China Relation and Expectations of the USA on 22 July	235
Political economy of energy and CPEC	241
CPEC criticism: What needs to improve?	245
The Chinese model and CPEC	251
China-Pakistan Economic Corridor: Story of Brotherhood	255
China, BRI, COVID-19 and Diplomacy	269
CPEC: A New Turf for Power Play	271
Digital Silk Route and Pakistan	277
BRI or BUILD, Will Pakistan Repeat History?	283
Globalization is Here to Stay	287
COVID-19-Future of BRI and CPEC?	291
Coronavirus: institutional advantage of China	295
Belt and Route Initiative: How It Can Help in Post COVID-19 World?	299

U.S.-China: Trade War to Power Struggle	309
The contour of new world order: Where Pakistan stands?	317
CPEC in Regional Context	321
China's Emerging Role of Mediator in Afghanistan	323
CPEC: Relevance for Middle East	327
Dream of Becoming Great Power Deters India from Joining CPEC	331
CPEC and Opportunities for India	335

Acknowledgement

The journey from reading to writing was tough. It was as difficult as the education of an amphibian – almost a transformation. No harm to confess that my writing skills were not good. Thanks to Mr Saleem Khilji, the Editor at SDPI, in whose guidance I learnt the art of writing. I am also indebted to Dr Sarfraz Ahmad, my teacher at the University of Agriculture, Faisalabad, for his love, care and guidance at a time when I needed it the most. I am also thankful to my teachers, Mr Khuda Bukhsh, Mr Muhammad Siddique, who had taken care of my mental brought up at primary school and great appreciation for Dr Sohail Jehangir Malik for introducing me to the world of development.

Lastly, a special thanks to Dr Abid Qaiyum Suleri for giving me the liberty to venture into new areas and learn by doing. It helped me to refine my thinking process and way of doing things with an independent mind.

Foreword

China has successfully answered the critics of its growth model by not only sustaining that growth but also offering “shared prosperity” to rest of the world through “cooperation not competition”. After their failure to prove that Chinese growth is not “figure fudging”, its critics came up with another accusation. This time they have warned of “hidden debt trap” accompanying engagement with China. American diplomat Alice Wells’ statements that China-Pakistan Economic Corridor (CPEC) projects would be a debt trap for Pakistan are on record.

How the countries participating in China’s Belt and Road Initiative can make the most of Chinese partnership is a question that is often asked. In fact, a major chunk of the literature produced by “China Study Centers” all over the world focuses to explore the best way of engaging with China.

The work in hand by Shakeel Ahmed Ramay is also one of such attempts. He establishes that China believes in soft diplomacy and in fact uses a win-win approach to expand its diplomatic ties. For this purpose, he has very skillfully highlighted that cultural diplomacy is a common thread among Confucianism, Taoism, and three phases of reforms in modern China. A comprehensive section on China’s Vision of Interplay of Diplomacy and Prosperity, focuses on core values of President Xi Jinping’s philosophy of shared prosperity and the fundamentals of why China is offering shared prosperity to rest of the world.

Does China ignore environmental considerations in its pursuit to growth? This is a question not only in the context of shared prosperity but also in multilateral environmental discussions. After the United States’ exit from Paris Declaration on Climate Change, China has played a leading role to

keep the carbon emission reduction agenda alive through its eco-civilization goals for economic, social, environmental, political, and cultural prosperity. Eco-civilization, green and clean growth have been very skillfully linked with ecological Marxism in second chapter of the book.

Diplomacy through prosperity and eco-civilization can only be achieved under a well-established governance system. Chinese governance and development model is quite unique and least understood in our part of the world. This chapter is a must read as it not only provides an orientation on Chinese decision-making model through political meritocracy, pluralist governance structure, decentralization within a centralized governance model, and upwards accountability but also highlights how China has used this model to uproot institutional corruption, ensure rule of law and implement governance reforms.

The section of developmental model of China explains the magic wand that China is using to alleviate massive poverty on its land. Chinese poverty alleviation model is based on qualitative development through better educational opportunities, ecological conservation and environment protection, and promotion of basic rights. This has led to technological upgradation, innovation and fast economic growth and industrialization.

The chapter on “Rise of China” explains how China used its historical values, governance reforms, poverty alleviation initiatives, and eco-civilization to shape the once unipolar world to a multi-polar world by challenging the monopoly of a single superpower. China’s accession to multilateral trading system, “World Trade Organization”, gave it a chance to compete on a level playing field in the world of commerce and then it never looked back. Chinese foreign policy amidst “war on terror”, its financial policies amidst “2007-08 financial crisis” and its health policies amidst “COVID-19” have proved its resilience to major geo-political, fiscal, and health challenges. Whether one is a proponent of Chinese policies or an opponent, it is a fact that future world order cannot be shaped without understanding China.

Part two of this publication is the compilation of Shakeel's opinion pieces, already published in mainstream media, that he wrote during the last four years. He has segregated those articles in four themes, i.e. Sustainable Development and CPPEC; Political Economy of CPEC; China, BRI, COVID-19 and Diplomacy; and CPEC in Regional Context. The opinion pieces are added sources to unfold the developments of CPEC in Pakistan.

The volume presents three scenarios as the way forward; rest of the world can compete with China, can enter in a systematic rivalry, or can follow the path of shared prosperity and future. Finding complementarities and commonalities among divergent and different economic, governance, and security systems can lead to best case scenario when it comes to engaging with China. This is what could turn second phase of CPEC a success.

However, to make the best use of opportunities being offered by China, its potential partners would have to do their homework right and be better prepared through enhancing their understanding about China.

In this regard, this publication is a humble contribution of Shakeel Ramay. I would congratulate him for his hard work to produce this volume in an easy to understand way. I look forward to his future work where he might explain each section of this publication at length.

Dr Abid Qaiyum Suleri

Executive Director, SDPI

Introduction

The 20th century has created and nourished many miracles, which have no precedent in human history. The struggle of humans to find new means of development led to new destinations, thereby instigating entry of this species into space. However, the instinct to dominate could not change. World War-II ended with the new ideas and tools of dominance. Economic strength started to get main stage to accrue and strengthen the global position or more specifically, the hegemonic influence. Bretton Woods Institutions like International Monetary Fund (IMF) and World Bank (WB) emerged to influence the global financial and fiscal spheres. Concurrently, political institutions like United Nations were created to provide a platform for political engagement while looking for means to avoid the conflict, wherever possible.

The institutions were built with the slogan of prosperity and respect for humanity. Regrettably, the appeal of slogan got lost somewhere and the creators of the system started to use it for enhancing their own vested interests. West used it as an instrument to maximize their benefit. The defeat of USSR led to hegemonic behavior of West. However, West ignored one important aspect i.e. the prospective rise of China. It is one of the biggest miracles in term of economic development, that a nation from nowhere reached the central stage of global economy. Even amid Covid-19, the story is still going on and China is making decent progress despite of all odds.

The story of China rise started in 1978 when China opted to try a new model of reforms and development. The first thing China did on this front was that it adopted the behavior of learning. China was open to learn and

practice from the available best practices but with Chinese characteristics. China started to invite people from Western world to learn about the capitalist production system. Chinese leadership kept on visiting different countries and invited private sector to invest in China. The strategy worked and China witnessed a marvelous turn around in 1980s. China started from agriculture sector and reformed it according to the need of country. In this context, China introduced agricultural reform and transformed the existing model of collective farming. It also adopted dual pricing system in agriculture sector, which helped to meet two specific objectives;

1. Enhanced production to meet rising demand
2. Created incentives for people, which helped to combat poverty

China also adopted Township and Village Enterprises (TVE) model which created the market competition with Chinese characteristics. The local governments were strengthened to implement the said model. Local governments with the help of local people accelerated the process of industrialization and development. It brought competition among townships and villages and China reaped the benefit. The experiment worked and it started to deliver results for the country. The major reasons of success were;

1. Capitalization of “Social capital” according to their potential. As Zhou Enlai said, *“Among other things, that the overwhelming majority of Chinese intellectuals had become intellectuals belonging to the working people and that science and technology would play a key role in China's modernization.”*
2. Decentralization, empowered local officials to take a lead role

However, China did not abandon the learning attitude. In 1990s, Chinese realized that;

1. The policies which were applied during 1980s will not work in long term
2. China needs new policies and institutional arrangements

Hence, a need was felt to take another round of reforms according to the new realities. The economy of scale was major area of work for China in 1990s. It started to introduce policies and frameworks which helped to achieve economy of scale. Chinese firms started to expand which helped to increase export. Second major area of reforms was to connect to the world in more comprehensive way. “Go Global” policy was adopted, and China accelerated efforts to create new opportunities for economic linkages. It also paved the way for joining the World Trade Organization (WTO).

Accession to WTO opened new doors of economic growth and development. In 2000s, Chinese government started to take another round of reforms to integrate national economy with the global economy. It introduced number of policies to further open up and attract foreign investment. The successful completion and implementation of reforms turned China into a global economic power.

President Xi has introduced a new set of reform with the slogan of New Era. He is preparing the country for next phase. He has a dream to turn the China into modern socialist country with Chinese characteristics. In this perspective, he has introduced multiple reforms, but all reforms are focused on the wellbeing and welfare of people. It is evident from the drives of President Xi that he desires to eradicate poverty, environmental problems, corruption and ensure rule of law according to human rights but with Chinese characteristics. He is promoting a peaceful rise of China and trying to avoid conflicts. He presented idea of “Shared Destiny” at global stage and is working to promote it.

The success of China revolves around three key factors;

1. Gradual reforms, as opposed to Washington Consensus,
2. Learning attitude
3. Policy reforms with every shift of development status

The success of China has also attracted immense opposition from Western countries. Major reason behind this opposition is frustration among the Western countries. They are unable to swallow that any country can

develop without toeing Western democracy and liberal values. USA is hell bent to contain China's rise and building alliances around the world. However, experts around the world, even Western countries are doubtful about the success of USA and Western countries' success in this campaign. USA and Western countries are trying to apply Cold War era policies and strategies, but they are forgetting following facts;

1. China is a greater economy than USSR ever was
2. China is deeply integrated in global system and wants to work with the existing system
3. China is not spending on military like USSR
4. China is already industrialized country and now venturing in future technologies

Hence, it would be advisable that Western countries should try to understand China with new lens. China is not presenting any model to replace the existing model of global system. This book is an attempt to explore the China, its diplomacy, economy, social development and environmental regime. The book also highlight the China-Pakistan relation and presented few proposal for future strategy to engage and further strengthen the "Iron Brotherhood".

PART – 1

Chapter -1

Diplomacy Through Shared Prosperity

1. Introduction

The harmony, prosperity and virtue has always been the pinnacle principles for devising foreign relation along the evolution of Chinese Civilization. Prosperity is considered as outcome of implementation of principles of virtue and harmony. Hence, prosperity has distinguished and crown position in diplomacy discourse in Chinese Civilization. The roots of concept can be traced back to ancient times. The leading thoughts originates from the work of Confucius, Mencius, Taoism, Mohism, Buddhism, Yellow Emperor and Sun Zu.

Confucius assign highest importance to righteousness and humanity for ruling the country and building international relation. He tried to define the guiding principles for the governance and diplomacy of State based on harmony and prosperity. He was of the view that State should not look for expansion or use of force rather it should build win-win relations with other states. He also asked for right means of gain prosperity and share it. He said, “*In a State, pecuniary gain is not to be considered to be prosperity, but its prosperity will be found in righteousness*” (Confucius 500 B.C.E). The message is very clear, the welfare and wellbeing of people in every aspect is basic criteria for measuring the prosperity. He always advocated to govern by virtue, love and respect not by force. He was also of the view that prosperity must preserved and avoid consuming at once, “*When prosperity comes, do not use all of it*” (Confucius n.d.).

Confucius thoughts were also resonated in the work of Mencius, both concentrated on love, harmony and opposes the idea of war to extend influence (Palit 2013).

Prosperity has another relevance for Chinese diplomacy in the light of Tao's teaching and philosophy. Taoism emphasis on the notion of moderation and harmony between human and Nature in defining the prosperity (Spiritual diversity and social work resource center n.d.). It concentrates more on religious virtue than wealth and accumulation of wealth. He denounced the violence or use power to govern as it is ultimate defiance of Nature (Asia for Educators 2020). He chooses deity to realize the feeling of prosperity. The harmony between Nature and human remained central piece of his belief and strengths. The notion of "doing nothing" is very strong in his writings but it does not mean to be idle. It has spiritual meanings, which emphasis to get rid of greed and focus on humanity and look for inner satisfaction.

Yellow Emperor presents the practical example of implementation of Confucius and Tao's thoughts and philosophy. He governed the country by virtue, love and wellbeing of people. He invented the professions of taming wild animals and use them for agriculture. He also looked for food diversification and taught people to grow lentils along others. Emperor's wife invented silk weaving and led the China to be pioneer in this field. These all interventions helped people to be prospered but with fundamental believes in virtues and wellbeing as nation. It also shows that Yellow Emperor promoted the deeds by himself and preferer to work not sit idle. In the later stages of his life he devoted towards the deity and let his ministers to run the state (Consulate general of the People's Republic of China in Karachi n.d.).

The modern China started the journey by adhering to these principles and application of best practices according to the need of time. As, China presents itself the product of 5000 years' evolution and legitimate heirs of Confucius, Tao, Sun Zu and Yellow Emperor. Hence, it was necessary to have a snapshot of these ideologies and principles.

Learning from the century of humiliation is another guiding principle. Chinese assign great importance to these learnings because they feel, they were treated badly, and they should avoid any such attempt in future.

2. Structure of Paper

The paper will try to explore the relevance of prosperity in Chinese diplomacy. However, paper will start from the study of reforms of modern China. To study reforms is pre-requisite to understand the modern China and its diplomacy.

The paper has been structured as;

1. Brief History of Modern State of China
2. Interplay of Diplomacy and Prosperity
3. Strategy for Pakistan
4. Conclusion
5. Way Forward

The paper will focus on;

1. Building Blocks
2. Rejuvenation of China
3. China's policy "Go Global"
4. Prosperity and Diplomacy

2.1. Brief History of Modern State of China

The modern China emerged from the ashes of century of humiliation (1840-1949). China had been forced to accept 1175 treaties by imperialist powers of the West. The period is also known as semi-colonial because foreign powers also established their influence zones (About China n.d.). Western countries systematically tried to destroy country. Opium was used to defeat the will to resist. The impact of this period resonates from the policies and diplomatic principles of China. Although, national independence, sovereignty, territorial integrity and national development

are core principles since long but these got new importance since 1949. China steered its efforts in a phase wise manner and cover the distance step by step.

2.1.1. Building Block of China

China, once a poor country, was struggling to survive. It was devastated with continuous conflict and aggression of foreign nations. Western countries made it a point of interference. Japan even attacked the country and played havoc with its economy. Opium racked the social fabric of country. Western countries exploited the situation and played with lives of people. The moral and ethical values lift alone, and economic gains were dictating their strategy of engagement. Domestic leadership was unable to counter the interference and focused more on oppressing the local people. In these circumstances, Communist Party of China (CCP) emerged on national landscape in 1921.

The Party started to fight a multifaceted war. It was simultaneously struggling against the ruling elite and foreign interference. The ruling elite was least bothered about people and The Party had to fight to bring back the common people agenda on main stage. Foreign interference was undermining the national sovereignty. On top of all, development and economic growth was in dismal. Poverty was quite high in addition to high food insecurity, poor health and lack of opportunities for higher education.

The Party win back the country from ruling elite and foreign interference in 1949. Right after the taking over country, The Party started to reform the country. Although the reforms are continuous and permanent feature of China, but we will divide the reforms in eras or periods as following;

1. First period of reforms: 1949-1977,
2. Second period of reforms, 1978-2012
3. Third period of reforms, 2013-continous

2.1.2. First Period of Reforms, 1949-1977

It is a unique and interesting aspect that every reform period is being inspired by a principle contradiction. The first period of reforms started with Chairman Mao's principle contradiction, "proletariat versus bourgeoisie". He was convinced that until this bottleneck is not removed, China cannot move forward. The resources were concentrated in few hands and majority of people were suffering from extreme poverty and many other issues. Owing to these reasons China became home to multifaceted problems after the independence.

The GDP of country was only 67.9 billion yuan in 1952. Per capita GDP was merely 119 yuan. The economic structure was dominated by primary sector, 50.5: 20.8: 28.7 -1952. Life expectancy was only 35 years. China started the journey from such poor condition. However, the biggest problem was class differences, which had given birth to many social and political problems. The Cultural Revolution was launched to defeat the problem of class differential. It was deemed necessary to bring whole nation on one page. Although there are different views about the Cultural Revolution but one of the dominant views is that it paved the way for future reforms and implementation of reforms.

First period of reforms also focused on three evils, namely;

1. Corruption
2. Waste
3. Bureaucracy

It is interesting to note that bureaucracy was designated as an evil. The Party put huge focus to streamline the bureaucracy and change its focus from the ruling to service. The Party was struggling to find solution, what to do with bureaucracy? Challenge was huge, as country cannot be run without bureaucracy, but bureaucracy was not efficient rather, it was part of problem. The party introduced a new formula, created a parallel stream of Party official to keep check and balance. At each level of governance, Party officials were assigned roles to play. The Party official have good say

in decision making and implementation at all levels. It helped and system started to deliver.

These reforms were in line with the thoughts of Chairman Mao, who said party should ensure system which would be;

- *both centralism and democracy,*
- *both discipline and freedom,*
- *both unity of will and personal ease of mind and liveliness.*

This phase ended in 1977. It played a huge positive role to redefine governance in China. It created a generation, which was more focused on China and people of China. The biggest take away from this period according to Zhou Enlai, “*Among other things, that the overwhelming majority of Chinese intellectuals had become intellectuals belonging to the working people and that science and technology would play a key role in China's modernization.*”

2.1.3. Second Phase of Reforms, 1977-2012

The second period of reforms started after the death of Chairman Mao. The reforms were guided by the second principal of contradiction “*The ever growing material and cultural needs of people versus backward social production*”. China started to reform by giving impetus to economic growth and development. Deng Xiaoping set the action guideline by saying “*we should adhere to the basic line for a hundred years, with no vacillation*”. The continuous efforts and focus turned around the economy of China and fate of Chinese people. The GDP of country touched the figure of 90.07 trillion in 2018 from 67.9 billion yuan in 1952 (Jie 2019). It was possible due to exponential growth. Pre-capita GDP also increased from 119 to 64600 yuan in 2018. The basic structure of economy has also been changed from primary to tertiary and now China is knocking at the door of fourth industrial revolution.

The key of success was the decision of gradual opening of economy and joining the WTO in 2001. China’s accession to WTO opened new doors of opportunities and China capitalized on it. In 2001, the GDP of China

was US\$ 1.3 trillion, which has now crossed the figure of US\$ 14.5 trillion in 2019 (Silver 2020). Trade sector also observed a tremendous growth. In 2001 the total trade volume of China was only US\$ 0.51 trillion, which reached to the number of US\$ 4.6 trillion in 2019 (Xinhua 2020).

However, the most significant and prominent success stories of China are poverty reduction and environmental contribution. China brought out 800 million people out of poverty trap by applying multi-dimensional strategy. On environmental front China increased forest cover from 10.9 percent to 22.6 percent in 2016.

As China kept growing on economic front simultaneously it also kept reforming its diplomatic engagement. In 1997 President Jiang Zeiman along with Russian president asked for enhancing the multilateralism (Cooley & Nexon 2020). China also adopted the policy of Go Global and enhanced its interaction in 1999. The old policy of non-interference observed a new trend and the slogan of constructive engagement started to emerge.

2.1.4. Third Phase of Reforms

The third phase of reforms started with third Chinese contradiction principal present by the President Xi Jinping. He said, "*What we now face is the contradiction between unbalanced and inadequate development and the people's ever-growing needs for better life*". He also pinned the rejuvenation of China. He is pursuing China Dream. However, the core elements of the prosperity, security, sovereignty and territorial integrity remain at the center.

President Xi is changing the whole dynamics of engagement. He has introduced assertiveness and clarity to achieve the China Dream. He is reforming the state institutions, defence and diplomatic engagement. He has also introduced the concept of dual circulation economy, which have roots in ancient thinking of Confucius and others. People's Liberation Army is on the course of change and becoming a reliable combat and attack force. National Security Commission has established to smooth the chain of command for matters of national security.

However, the biggest initiative is Belt and Road Initiative. Through the BRI China is offering the economic integration and showing willingness to share its prosperity. Despite the huge opposition and smear campaign, it is getting momentum and now more than 129 countries joined the program or ready to join. The ultimate goal of all these reforms is to attain the status of developed country in all aspects in 2049, at the occasion of 100th anniversary of State.

3. China's Vision of Interplay of Diplomacy and Prosperity

3.1. Core Values

The diplomacy of modern China evolved hand in hand with economic, social and development reforms. Howbeit, the China's diplomatic vision revolves around the core values of "development, security, national sovereignty and territorial integrity". These principles always remained at the heart of every reform and action. The Five Principles of peaceful co-existence, which highlight the importance of non-interference, territorial integrity and sovereignty of States are equally important for China. The elements of principles resonate the core values of the China's vision of international relation.

The core values and Five Principles of co-existence make China's Vision of international relation different from the Western discourse. The salient features of Chinese international relation are prosperity, non-interference, belief in diversity in true sense, ensured wellbeing and equality. China defined it through the prism of prosperity, as it is more comprehensive description and it includes wellbeing, happiness and satisfaction of human.

3.2. Diplomatic Journey of Modern China

The diplomatic journey of modern China started with the fierce opposition of USA and Western countries. It was continuation of hegemonic behavior of Western country, which started in 19th century. First, UK launched opium war and compelled China to accept unfair treaties. China broke the shackles in early 20th century and continued their struggle to achieve the goal of freedom. The continuous struggle resulted in the establishment of

People's Republic of China in 1949. It officially ended the century of humiliation.

Independence introduce new complications for China. China's adherence to the ideology of communism ignited the West and they perceived China as a threat to their ideology of capitalism. Although, West advocate for diversity but in practice they tried to squeeze the place for China. The first and foremost challenge for China on diplomatic front was to counter the American's aggression on multiple fronts. USA created numerous hitches on economic, development and social fronts. America applied strict economic and diplomatic instruments to isolate and keep China poor (About China, n.d.). China, having no other options joined the socialist block and joined Non-Aligned Movement (NAM).

China moved away from socialistic block due to hegemonic behavior of USSR and difference in execution of reforms and governance. China strongly believes in Chinese characteristics of socialism. The border disputes also give impetus of hot conflicts. In 1969 USSR and China engaged in hot conflict, which resulted in losses to both sides. It further sharpened the divide between two nations. The complication in relations laid foundation of new challenges for China's diplomacy. China was already going through the cultural revolution and tense relationship with USSR aggravated the situation.

The circumstances compelled China to look for new avenues, strategies and ways to execute its diplomacy. Chairman Mao became closer to Non-Aligned Movement and introduced a new concept of "Three Worlds". The concept was developed to counter the first world hegemonic behavior. China presented itself as the protector of third world from first world, especially from USA and USSR (Amako 2014). The concept is more align to the Chinese Civilization, as the purpose was to save the common people and fight the miseries of common people. The basic elements of concept were drawn from the revolution in China, which was triggered by people's desire to change the status quo and now China to replicate it at global level.

The difficult relation between China and USSR urged USA to redefine its engagement strategy with China. USA started to take it as opportunity and initiated a process of building diplomatic relation (History 2009). Pakistan

helped both countries to forge the partnership. Pakistan organized informal meetings between Chinese and American diplomats and leaders. The talks led to formal relationship. USA recognized the due status of Communist Party as legitimate government and representative of people of China. China was given the seat in the Security Council of UN.

The next phase of reforms in diplomacy followed the opening up policy of country for enhancing economic and development linkages. Deng Xiaoping led the country and transformed the very sector of state. China emerged as formidable economic country. The emergence of country also started to attract disturbance and bad mouthing from the opponents. China did not give attention to it, but the Tiananmen Square incident changed the whole dynamics. China consulted the old book of cultural diplomacy and constructive engagement. Wang Huning led the discourse and asked country to engage and spread the message of our country through soft means of diplomacy (Palit 2014). The efforts led to launch of new policy of China in 1999, “Go Global”. The Mantra of Constructive Engagement was used to enhance the sphere of Go Global policy. The Go Global has two distinct characteristics, 1) build relation based on mutual respect and benefits 2) share the fortune of China with other countries. It is practical description of China’s belief in mutual respect and growing together. These are the elements of the prosperity.

The concept of prosperity is getting more prominence in the diplomatic policy of New Era of China. President Xi Jinping has deep affiliation with the concept of prosperity. He places prosperity at the center of his China Dream and Shared Destiny policy.

3.3. President Xi Jinping Philosophy

President Xi is committed to conduct diplomacy by adhering to Chinese characteristics (Ge 2016). He holds views that existing theories and practices of diplomacy have certain shortcomings which needs to be removed for a better world. He has introduced two new concepts for international relation, which challenge the existing theories and practices;

1. The first concept asks to depart from the past mentality of alliances and work on building partnerships. Alliances needs opponents if not enemies, which strive to create winners and losers. In the process it divides world and people. We have already witnessed the phenomena during cold war.
2. The second, concept is to engage in a win-win economic and development cooperation. It should avoid the practices which create losers and winners. The widespread in-equality across the world is outcome of this approach. He is equally attentive on the principals of security, sovereignty and territorial integrity of China but not at the cost of other countries. The purpose of all interventions and guidelines provided by President Xi is to promote the concept of shared prosperity. He has emphasized on it at multiple occasions and at different forums including national, regional and global.

President Xi's philosophy is shaped by his affiliation with Taoism, Marxism, and Socialism with Chinese characteristics and teaching of Chinese's elders. He has streamlined his philosophy to achieve the goal of shared destiny by the Chinese characteristics at the heart. He wants to convince world that the only way for human prosperity is cooperation. It will help to achieve the common goal of peace and development on sustainable basis. For that purpose, world will have to adhere to the goal of shared destiny through shared prosperity. He launched Belt and Road Initiative (BRI) to materialize the dream of shared prosperity and destiny. The initiative has been supported by Silk Road Fund, AIIB and many other national institutes through funding and technical support.

Second, important idea is justice, at all levels. He is arguing that peaceful world is not possible without dispensing justice, especially in economic sector. He asked all the global leaders to cooperate, respect each other, do not interfere, share the development and treat everyone with the principle of equality and respect. He is marching national institutions to apply these instruments to pursue the prosperity but not at the cost of others' prosperity. That's why he always, concentrated on the win-win cooperation and advising his institutions to stick to this concept.

Third, he is advocate of global institutional reforms without disturbing multilateral system. He believes there is need to refine the global structure to fulfil the requirement of humanity and ensure the equality. He wants a more respectable interaction among the countries. He is of the point of view that major powers should distillate on wellbeing of humanity and should not try to engage in meaningless conflicts or confrontation. To achieve these objectives the global institutions will have to adopt the changing dynamics through reforms. Presently, the global system has structural imbalances in the favor of Western countries. The imbalance is spread across all leading institutions like IMF, World Bank, UN, UN Security Councils etc.

President Xi is also pursuing the concept of “*dialectical unity of several relationships*” (Embassy of the People’s Republic of China in Grenada 2019). He is actively following this concept and is strengthening the existing forums and looking for new one. The most prominent engagements on this front are China-Arab Cooperation Forum, China-Central and Eastern European Countries, China-Latin America and Caribbean Countries, China-Africa Forum etc. President Xi has also BRI forum to facilitate the cooperation among BRI countries. He himself assumed the role of Chief Diplomat. He is visiting countries to achieve the goal of building partnerships by offering win-win cooperation.

China Dream is another major goal, which President Xi has presented and is following with full vigor and dedication. He is trying to infuse the concept among everyone, especially among the youth. The China Dream has two objectives, 1) prosperity at domestic level and then share with world, 2) legitimate position of China at global stage. The prosperity is one of the key objectives of China Dream. President Xi assigned this task to himself. As a first step he started to implement the concept at domestic level. He formulated policy and set goal to end poverty at domestic level till 2020. The success at domestic level has strengthened his commitment at global level.

He has also launched BRI to fulfil the requirements of second part of prosperity objective i.e. share prosperity with other countries. The fair position of China is second goal, but it goes hand in hand with the first

one. China is seeking to reclaim its place by extending prosperity to other countries and BRI is one of the instruments to achieve it. However, it is pertinent to mention here that China is using BRI as an instrument to enhance prosperity and reclaim rightful position but not extending the sphere of influence to build alliances. China gives equal importance to the concept of shared prosperity because China thinks the legitimacy can only be proved through wellbeing of everyone.

However, President Xi is also cognizant of the fact that China will have to face challenges and opposition from the existing powers. Thus, he is very open to counter any such attempt. State Councilor Mr. Wang put this in words as ““We never pick a fight or bully others. But we have principles and guts. We will push back against any deliberate insult, resolutely defend our national honor and dignity, and we will refute all groundless slander with facts (Ariaratnam 2020). This gives us a clear picture of vision of President Xi. It is requirement of the time, as USA and Western countries trying to follow the law of hammer, as they had applied at many other countries. However, it will not be successful in the case of China, as China has economic, social and military instruments to respond it.

However, President Xi thinks, to play a formidable role based on principle of prosperity and shared destiny China needs to be reformed first. Since the inception of his presidency he is busy in reforming and refining national institutions. He introduced the holistic approach in security matters and refined the defence and diplomacy according to emerging needs of countries. He established National Security Commission and reformed the structure of PLA and other related institutions.

Second, he is very much focused on eliminating corruption. He considers it the basic requirement to dispense justice and ensure prosperity of people at domestic level and globally. It is all about the integrity and President Xi is very much concerned about the integrity of individual and China as a country. President Xi thinks it is also pre-requisite to achieve the “China Dream”.

3.4. Shared Prosperity and Diplomacy

Li Zhaoxing mentioned during his speech at Beijing forum, 2007, China reached Kenya in 15th century much before the discovery of America. China was a rich country at that time, full of resources and power. However, China did not invade the local and came back with only Giraffa not slaves or gold (Zhaoxing 2010). It is contrary to what happened in America. It is also contrary to what European did to Aboriginal in Australia. USA and Europeans deprived local of their land, resources and even snatched their identities through forced separation of their children from families. This is also contrary to what UK did to sub-continent and stolen trillions of dollar wealth. This is tag line which China always used to highlight that they are interested in building relation for mutual benefit not for exploitation.

It is anchored in old tradition and believing of Chinese people. It is in line with the teaching of Confucius, Tao and others. He explained that prosperity for everyone, irrespective of borders, is cornerstone of Chinese diplomacy. It can only be achieved through the harmony. The modern China policy is adhering to these principals and China will continue to pursue it. Another prime element of foreign policy is nationalism (ZHU 2001), which is evident from all the interventions. Nationalism emerged from the lessons of century of humiliation. Western countries imposed harsh treaties and exploited the China. The opium trade got legal status under the pressure of UK. Businessmen from UK and America made their fortunes by opium war.

President Xi is steering modern day diplomacy by taking guidance from the teachings and principals of elders and lessons learnt during opium war. President Xi has envisioned China as a country, which is fair, ready to cooperate, share its prosperity with other but will not tolerate insult, humiliation or bullying. It is not rhetoric; he is supporting it by actions. The corner stone of his policy is shared prosperity to achieve the goal of common destiny (Mardell 2017). The Chinese President has, at multiple occasions has explained his vision of shared prosperity and shared destiny. He has initiated different programs to materialize the dream of shared prosperity such as the Belt and Road Initiative in 2014.

Belt and Road Initiative (BRI) is a hallmark intervention by China. It is helping China to devise new instruments of engagement for mutual benefit and shared destiny. Silk Route Fund along with national institutions like Export-Import Bank and many others are providing funding for the BRI initiatives at affordable interest rates. China is closely working with international and regional institutions for implementation BRI. The document by Chinese government “China and The World in New Era” mention that the People’s Bank of China, the International Finance Corporation of the World Bank Group, the European Bank for Reconstruction and Development, and the African Development Bank are jointly working to finance different projects. It has been stated that they had jointly financed nearly 200 projects covering more than 70 countries and regions till the first quarter of 2019.

BRI is also following the Go Global 2.0 policy of President Xi to steer the process of engagement, mutually beneficial investment and promoting peace through development. It is refined version of Go Global 1.0, as China felt that Go Global 1.0 has some shortcomings which needs to be removed. President Xi urged the policy makers to refine it according to the rules of the modern investment regime, shared prosperity and constructive engagement. China also put enormous focus on building the capacity of national investors and institutions to understand the global dynamics of investment and legal framework (China Policy 2017).

However, the opponents are portraying it as a great threat to national sovereignty of participating countries. USA is leading a smear campaign against BRI. It is also portraying it as debt trap and Sri Lanka is being quoted as prime example, which is built on self-assumed data and perceptions. Further to strengthen its campaign USA launched its own programs like Better Utilization Investment Leading Development (BUILD). USA is also busy in looking for ways to implement the Pivot of Asia policy to contain China investment and engagements. It has developed a group of four America-Thailand-Japan-India to counter the China. These actions resonate the 1950's policy of the USA, which was devised to isolate and undermine China at any cost.

Despite all the propaganda BRI is going well and many countries and international bodies has joined the initiative. It has been reported that 126 countries have joined BRI and many countries are in negotiation to join. In term of population almost 61 percent population (4.5 billion) is part of BRI. These countries account for US\$ 29 trillion of global economy. International organizations like UNs, IMF and many other have already joined the initiative.

The good news is that BRI has started to deliver and there are studies which suggest that BRI will contribute for world development and prosperity. According to World Bank reports in 2019 BRI will help world to sustain economic growth and development. The most interesting aspect is that Non-BRI countries will also benefit from the gains of BRI related investments. According to report, BRI will reduce travel time by 12 percent in BRI economies and 3 percent in non-BRI economies. Trade will get a boost between 2.7-9.7 percent and 1.7-6.2 percent in BRI and non-BRI countries respectively. Real income will observe a boost of 1.2-3.4 percent and 0.7-2.9 percent in BRI and non-BRI countries respectively. Further it was calculated 1 percent increase in global real income will be equivalent to US\$ 930 billion in 2014's prices. There is expected increase of 3.4 percent and 2.6 percent in GDP of BRI and non-BRI economies till 2030 (World Bank Group 2019).

BRI will not only contribute in economic indicators but it will also help to tackle social and development issues. For example, it is expected that BRI investment will help to lift 7.6 million from extreme poverty (1.90 US\$). Further, it will help to lift 32 million people from moderate poverty (3.20 US\$). Major beneficiaries would be developing countries (4.3 million, extreme poverty, 26.7 million moderate poverty). Return to factors of production will also increase and major beneficiaries would be labor (1.37 percent) (Maliszewska & Mensbrugge 2019).

BRI is signature mark of China's modern day diplomacy to pursue the concept of shared prosperity through diplomacy and economic engagement. Through the program China is trying to create economies, which can help each other and grow together. The net outcome of the intervention would be a better place for everyone.

China is also working to create, expand and strengthen existing institutions, organizations and programs to accelerate the process of mutually beneficial cooperation in all fields. The process has been accelerated since the President Xi has taken control of State. President Xi Jinping is putting efforts to turn the Shanghai Cooperation Organization (SCO) into an organization of global relevance. SCO is now on expansion mode and it has welcomed two new members Pakistan and India, in 2018. It is the biggest regional organization in terms of population and geographical size. It is home to 45 percent of world population and encompasses almost 25.88 percent land mass of earth. It also has four nuclear powers including Pakistan and India, which are archrivals in all fields of life. SCO is a partnership-based organization, which gives independence to members and keep them free from any binding commitment.

Despite the massive size and arch rivalry between Pakistan and India, SCO is trying to build partnership, which can present opportunities for everyone irrespective of their beliefs and ideologies. China is pursuing to have a free trade agreement among members. The free trade agreement at the platform of a partnership-based organization would be new experiment. China also has proposed to establish SCO Development Bank to help member states to combat the development challenges of member states. It is also pursuing to enhance diverse economic ties. Recently, China has established a dedicated SCO Economic Demonstration Zone to accelerate the economic cooperation among China and SCO member states. It is a very important step and through the initiative China is offering exclusive incentives to domestic companies and investors from SCO member states to invest. It is assumed that in near future it will help to foster economic integration among SCO members states and China.

The Asian Infrastructure Investment Bank (AIIB) was created to facilitate development needs, programs and projects of the member states by providing easy investment. It started with 21 members and now it has 103 members and there are 20 prospective members. It is blend of regional and extra-regional countries. It is open to investment in any country and assist other institutes. It is an expanding organization and new members are

showing interest. China has established this institute to facilitate the countries, to fulfill the investment needs (Asian Infrastructure Investment Bank n.d.). AIIB is also helping countries during the COVID-19 by extending them financial support through loans and investments. President Xi Jinping on 28th July, 2020 in his speech said, “Let’s make *AIIB a new platform that promotes development for all its members and facilitates the building of a community with a shared future for mankind*” (CGTN 2020). He has vision to covert AIIB the leading multilateral institution to promote development across the world. He also assign the importance to AIIB for contributing in building infrastructure and tackle issues of poverty and development. It will help to attain peace, which is direly needed commodity at this point of time.

For enhancing trade and cooperation, China has launched “China International Import Expo” in 2018. The purpose of the initiative is to enhance trade opportunities for BRI and developing countries. It is also open to big countries and corporations. It is new initiative and is expanding.

Although, these all initiatives are in different fields, but the fundamental principle is mutual benefits. The pillars of all these engagements are win-win agreements, working with local community and trying to be gelling factor not dividing factor. The ultimate goal is to attain the prosperity. It also echoed the language of the slogan of SDGs “No One Left Behind”.

4. Strategy for Pakistan

The Chinese foreign policy and thoughts of President Xi highlight three critical lessons for Pakistan. First, China is focused on people, wellbeing of people and prosperity. Second, China wants to be a gelling factor in national landscape and will not take side. Third, China does not believe in alliances and remain open for new partnerships irrespective of history baggage. Hence, Pakistan should pursue policy of engagement with China by keeping in mind these lessons.

First, of all Pakistani policy makers and thinkers should try to understand the China-Pakistan Economic Corridor by applying the prism of prosperity

and centrality of people. That's why the first phase was designed to cater the most urgent needs of Pakistan in energy and infrastructure sectors. Energy investment helped Pakistan to manage the energy crises and it provided a substantial relief in load shedding. Industry activities were revived due to availability of electricity. Transport infrastructure was also designed to meet rehabilitation and new needs of infrastructure. Second phase is even more clear on the people dimension. China has extended huge amount of resources (more than US\$ 1 billion) for social development. The beneficiaries of the support would be education, skill, agriculture and housing sectors etc. Besides, China also signed two MoUs on Agriculture and Science and Technology. Agriculture MoU is really important for Pakistan as livelihoods of millions of people is dependent on the sector.

Second, China has learned from the mistake of Go Global 1.0 and revised its policy of engagement. Although, China always kept the flag of non-interference but now it has become conscious due to baseless propaganda. China wants to be neutral and gelling factor in local setting. China will not pick sides or support any political party or institution. It will prioritize the country and people of the country. It is corner stone of China's diplomacy and engagement policy.

Hence, in Pakistan political parties and institutions needs to come out of this mentality of champions of Pakistan-China relationship. The game of credit among parties has already consumed much precious time. As every political party was portraying as if they are essential and without them there would be no CPEC. This game of credit is still going on. It is not serving the country rather it strengthens the hands of the opponents. CPEC is product of the China-Pakistan relation not of any political party. China will continue to cooperate irrespective of who is in power and who is not in power. The unity of parties will give a positive sign and it will also help to smoothen the implementation of CPEC.

Third, Pakistan never try to ask China to be part of any alliance, as China does not believe in this terminology. China always looks to bridge the gaps want to gelling factor. That's why China always invites regional countries to be part of CPEC. It has also launched Bangladesh, China, India and

Myanmar (BCIM) Cordier. Even though India is opposing BRI and CPEC but still China wants to include it in BRI.

Conclusion

The policy to explore foreign engagements by keeping prosperity at center is an excellent approach. It has garnished China's relation with many countries and bring them close to China by dissipating misinformation. It is useful instrument. China has pursued this policy by Govt-Govt engagements, which has its merits. Despite, the success at govt level China is also facing problems in many countries, especially in countries which are following democratic system of governance. Hence, China needs to devise new tool engagement with these countries by strengthening and expanding existing tools.

First, China need to recognize the role of civil society in democratic countries. In China, through Communist Party of China, everyone has say in the system. It is also comprised of all segments of society at all levels. Party members are very actively involved in decision making and implementation. So, the Party system provide opportunity to everyone to participate and fight for rights. However, democratic countries, system is different. There are number of parties and every party oppose other parties. The member of one party oppose members of other party. It leads to divide among people on the basis of party and try to portray picture according to their party line. That is the reason Pakistan is witnessing a credit game on CPEC, as every party portray it as its success story.

In these circumstances, the civil society can play role of bridging the difference between parties by providing accurate statistics. Civil society organizations also represent the voices of people irrespective of their party affiliation and bring common man as main stakeholder. Their focus is on the development framework and engagements for the prosperity of common people, which is the goal of China's foreign policy. Hence, there is suggestion to build close collaboration with civil society organizations. It will help to achieve the following objectives;

1. Build close relationship with people

2. It will be a tool to spread the message of prosperity
3. It will create a win-win situation
4. People to people linkages will be improved
5. Most importantly, it will help to mitigate the baseless propaganda against China and BRI

Way Forward

Despite massive investment and sharing the economic fortune China is facing propaganda and smear campaigns. One wonder, why China is facing this problem. The analysis shows that there are certain areas which China needs to reform in accordance with global norms and working style of liberal world. Building on the discussion and analysis following would be recommendations for future;

1. Enhance the role of China International Development Cooperation Authority (CIDCA). CIDCA should actively pursue the policy of engagement with civil society organizations. As, civil society factor is very strong in liberal world and people somehow trust civil society organization
2. The message of Diplomacy Through Shared Prosperity must be communicate through engagement policy. CIDCA in consultation with State Council and State institutions should lead on it
3. Chinese Academy of Social Sciences should adopt the slogan of Shared Prosperity and put it on front page to communicate the message.
4. Foreign Office of China should enhance its interaction with Think Tanks globally and engage them in constructive debates and discussions.
5. Foreign Office should use tag line of Shared Prosperity in building its partnerships

6. Belt and Road Initiatives should forward the concept of shared prosperity as the end goal of initiative. It would be easier for BRI, as it already pursuing the goal
7. To promote the policy, China should work out a comprehensive engagement policy by keeping in mind the domestic realities of the democratic and other countries.

References:

- About China n.d., *China's diplomacy*, About China, viewed 11 January 2020, <http://en.people.cn/92824/92845/92870/6441512.html>
- Amako, S 2014, 'China's Diplomatic Philosophy and View of the International Order in the 21st Century', *Journal of Contemporary East Asia Studies*, vol. 3, no. 2, p. 3-33.
- Ariaratnam, K. 2020, 'A new era for China's "wolf warrior diplomacy"', *The Geopolitics*, 25 June, viewed 18 October, <https://thegeopolitics.com/a-new-era-for-chinas-wolf-warrior-diplomacy/>
- Asia for Educators 2020, *Introduction to Daoism*, Asia for Educators, viewed 11 January 2020, http://afe.easia.columbia.edu/special/china_1000bce_daoism.htm
- Asian Infrastructure Investment Bank n.d., *Members and prospective members of the Bank*, AIIB, viewed 12 October 2020, <https://www.aiib.org/en/about-aiib/governance/members-of-bank/index.html>
- CGTN 2020, *Key quotes from President Xi Jinping's speech at opening of AIIB's fifth annual meeting*, CGTN, viewed 12 October 2020, <https://news.cgtn.com/news/2020-07-28/Key-quotes-from-Xi-s-speech-at-opening-of-AIIB-s-fifth-annual-meeting-Sv1YOLoEc8/index.html>
- China Policy 2017, *China going global between ambition and capacity*, prepared by the China Policy, Beijing.
- Cooley, A. & Nexon, D. 2020, 'How Hegemony ends', *Foreign Affairs*, August 2020, viewed 19 October, https://www.foreignaffairs.com/articles/united-states/2020-06-09/how-hegemony-ends?utm_campaign=tw_daily_soc&utm_source=twitter_posts&utm_medium=social
- Confucius 500 B.C.E, *The great learning*, online document, viewed 11 January 2020, <http://classics.mit.edu/Confucius/learning.html>
- Confucius n.d., Forbes Quote, viewed 11 January 2020, <https://www.forbes.com/quotes/1936/>
- Consulate general of the People's Republic of China in Karachi n.d., *China: a country with 5000-year-long civilization*, Consulate general of the People's Republic of China in Karachi, viewed 11 January 2020, <http://karachi.china-consulate.org/eng/zggk/t263930.htm>
- Embassy of the People's Republic of China in Grenada 2019, *Dialectical unity of Xi Jinping's thought on diplomacy*, Embassy of the People's Republic of China in Grenada, viewed 11 January 2020, http://gd.china-embassy.org/eng/gywm_1/dsjhjwz/t1646405.htm

Ge, Su 2016, ‘Xi Jinping's Strategic Thought Guiding Chinese Diplomacy’, China Institute of International Studies (CIIS), Beijing.

History 2009, *Soviet Union and Chinese armed forces clash*, viewed 11 January 2020, [Jie, Z 2019, ‘Report: China’s speed of development rarely seen’, *China Daily*, 21 May, viewed 11 January 2020, <https://www.chinadaily.com.cn/a/201906/21/WS5d0c9068a3103dbf14329946.html>](https://www.history.com>this-day-in-history/soviet-union-and-chinese-armed-forces-clash</p></div><div data-bbox=)

Maliszewska, M. & Mensbrughe, D. 2019, *The belt and road initiative: economic, poverty and environmental impacts*, World Bank, Washington D.C.

Mardell, Jacob 2017, ‘The ‘community of common destiny’ in Xi Jinping’s new era’, *The Diplomat*, 25 October, viewed 18 October 2020, <https://thediplomat.com/2017/10/the-community-of-common-destiny-in-xi-jinpings-new-era/>

Palit, P 2014, ‘China’s cultural diplomacy: historical origin, modern methods and strategic outcomes’, *China Research Center*, vol. 12, no. 2.

Silver, C 2020, *The top 2 Economies in the World*, Investopedia, viewed 13 January 2020, <https://www.investopedia.com/insights/worlds-top-economies/>

Spiritual diversity and social work resource center n.d., *Taoism*, Spiritual diversity and social work resource center, viewed 11 January 2020, <http://data.socwel.ku.edu/candagrant/Gallery/HFC-Thumbnail/Taoism/Taoism%20page.htm>

World Bank Group 2019, *Belt and road economics: opportunities and risks of transport corridors*, prepared by World Bank group, Washington D.C.

Xinhua 2020, *Tough 2019 brings out China’s resilience in foreign trade*, China.org.cn, viewed 20 February 2020, http://www.china.org.cn/business/2020-01/15/content_75614046.htm

Zhaoxing, L. 2010, ‘Harmony and Chinese Diplomacy’, *Procedia Social and Behavioral Sciences*, vol. 2, no. 2, pp. 6777-6779.

Zhu, T. 2001, ‘Nationalism and Chinese foreign policy’, *JSTOR*, vol. 1, no. 1, pp. 1-27.

Chapter -2

Eco-Civilization: A Chinese Vision of Prosperity

Background

Human race is going through the most difficult period of its history. It is struggling with manifold and multidimensional problems including poverty, food insecurity, climate change, diseases and security issues. Howbeit, environmental degradation has overshadowed all problems. The severity of the problem can be judged by the intensity and sphere of impacts. It is widely debated that environmental degradation has threatened the very existence of the mother earth. The conscious minds of the world are urging the world leaders and governments to act urgently and decisively to save the planet.

Responding to the call, the United Nations have created a good number of bodies and institutions e.g. United Nations Environment Program (UNEP), United Nations Framework Conventions on Climate Change (UNFCCC) etc. These bodies are instituted to speed up the process of policy formulation and implementation. Regional organizations and small groups like European Union, SAARC, ASEAN, G-7, G-20 and many others are also showing willingness to work to combat the environmental degradation.

Despite all the institutional framework, talks and strong calls for action by governments, the problem is getting worse day by day. The situation can be best understood by analyzing the current state of environment and environmental degradation. It is evident that floods are increasing, heat waves are on rise, waste problem is getting bigger, air, water pollution are haunting human, and these are creating numerous problems for human. The dream of human prosperity has been impacted severely by environmental degradation. Human are compelled to live in a polluted and disaster risk prone environment.

Experts believed that there can be many reasons for this state of affairs, but the most important one is blindly following GDP led growth model put forward by the capitalist system. It is widely accepted that the Capitalist model which follows the anthropogenic-centric development model has undermined the prosperity of mankind and violated eco-ethics. The model has disregarded the environment and nature as part of system and treated it as external factors to fulfil the material objectives. It led to exploitation of natural resources and burdened the environment with pollution, waste, harmful gases and irreversible process like climate change.

The other prominent side effect of the model is concentration of wealth in few hands and widespread in-equality. Environmental degradation is further enhancing the in-equalities. Human race achieved the goal of modernization but at the cost of environment and wide-spread in-equalities in every part of the world. It has been mentioned time and again that the resources are exploited and concentrated in few hands and large majority of people are suffering.

Unfortunately, the regional and international organizations are still trying to find a solution inside the existing model of development. The efforts have proven futile because the real problem is being ignored. The real problem is system, which is root cause of current state of environmental degradation and in-equalities.

Hence, there is need to change the existing system and replace it with a system that can help the environment and humanity. The system should be more responsible in terms of environment and equitable in term of human,

which can ensure prosperity. The debate has been started on the concept during the last few decades. Eco-civilization has been proposed as an alternative to solve the existing problems of environmental degradation and prosperity. The theory of eco-civilization has been built on two important concepts:

1. Constructive Post-modernization
2. Ecological Marxism

There is a need to understand these concepts to understand the importance and relevance of eco-civilization. The concepts have evolved during the last three decades. These concepts are basically emphasizing on the prosperity instead of accumulation of wealth or resources and evade exploitation of nature. The experts and scholars like Griffin, Cobb, Kang Ouyang, Fred Magdoff and Foster etc. are suggesting the world to apply these concepts to realize the dream of Eco-civilization and ensure a safe and healthy life for our future generations and mother earth.

China is the only country which has started to pay heed to this new thinking and started to work towards it. President Xi Jinping has made it a top priority of government and has asked everyone to follow it. He categorically said that GDP should not be the only focus of China, China should look at development as a tool of prosperity, that care for the environment and humans equally. President Xi has linked his thoughts with the vision of shared prosperity, shared future and shared destiny.

Structure of Paper

The paper has been structured to study the current state of environmental degradation, human prosperity and future course of actions. The paper will briefly analyze the current development model, environment status, prosperity and new model of development. The paper will conclude with the framework of econ-civilization and its relevance for shared prosperity. Following would be the structure of the paper

1. State of Environment and Prosperity
2. Constructive Post-modernization and Ecological Marxism

3. Eco-civilization and China
4. Eco-civilization Goals
5. Eco-civilization and CPEC
6. Conclusion

State of Environment and Prosperity

WWF has warned that environmental cost would be US\$ 709 billion per year. It is feared that the costs can further increase as the world is not responding to the challenge according to the severity of the problem (Twomey 2020). The major challenges of environment are climate change, pollution of air and water), oceans are becoming a hub of waste and temperature is rising due to climate change, energy, loss of biodiversity and soil erosion etc. (SOAS n.d.) Climate change is the biggest environmental problem which has manifold implications for humanity and the planet. It has threatened the very existence of earth.

The cost of environment for China has also increased multiple times during the period of 2004 to 2017. It has been estimated that the cost of environment reached the level of 1892 billion yuan in 2017 from 511 billion yuan in 2004. However, after the 2014 the rate of increase is on decline due to massive investment of China in environment sector (Ma et al., 2020).

Simultaneously, the world is also facing an enormous challenge on the development front. According to World Bank 600 million people will be living below the extreme poverty line till 2030 (Lakner et. all, 2020). FAO stated that 820 million people are food insecure across the world (UN News 2019). World Health Organization pointed out that 2.2 billion people are in need of safe drinking water (United Nations 2019). IEA, 2018 report came up with the findings that 1.1 billion people need electricity and 2.8 billion need good cooking fuel (Daly 2018). Presently 70.8 million people are displaced or refugees (UNHCR 2019). On top of that 263 million kids are out of school (UNESCO Institute of Statistics 2016). COVID-19 has further exacerbated the situation. Livelihoods of

billions of people are on stake. Millions of people have already lost their jobs. Countries are struggling to find some solutions to combat the challenge of COVID-19. A rise in poverty and food insecurity is feared in the coming years

These problems are haunting humans at a time when the world was already struggling to meet the basic demands of infrastructure, services and livelihood opportunities for people. The world is already unable to bridge the gap of required investment and real investment. It has been estimated that there would be a gap of US\$ 5.5 trillion on yearly basis till 2035.

In such circumstances, world is struggling to find a way for development, which have least environmental implications. Moreover, it is also looking for financial resources which can help to bridge the investment gap. China, presents a solution to meet these requirements in the form of Belt and Route Initiative and plan of eco-civilization.

Constructive Post-modernization and Ecological Marxism

The present state of affairs of environment and prosperity of people has put questions on the existing model of economic, environmental and social development. The stats tell us that we human are consuming 1.6 time of resources which the earth can regenerate. On social side 62 richest persons of world owned resources equal to 3.7 billion people, which are working to sustain (US\$ 2.50 for sustaining life) (Korten 2016). So, humanity and nature are losing and few in the systems are making money. It has created problems of “in-adequate and unbalanced” development. China has also diagnosed the same problem that hinder prosperity, which is reflected in third contraction principle. President Xi in his contradiction principle highlighted that economic growth and development is “in-adequate and unbalanced”.

John B. Cobb, 1999, attributed the environmental degradation and the plight of people to modernization model of development. He argues that the economic growth has been achieved at the expense of environment, nature and human prosperity. The system has also induced destructions in

social life, but the biggest challenge of climate emerged from the persistent following of the system (Cobb 1999).

Kang Ouyang, a well known scholar on Marxism, is of the point of view that the existing model of development has ignored the positive role of nature, ecology, indigenous wisdom and prosperity of human. He further explained that scientific knowledge has ignored the importance of religion in striking balance between human and nature and among human (Ouyang 2003).

Ben Agger, in 1979 presented the idea of Ecological Marxism in his book. He highlighted that the current practices of capitalist system will lead to consumption of resources beyond the capacity of nature to reproduce. In the long run it would not be sustainable, as resources will not be able to meet the demand of capitalist system of production and economic growth. It will create a crisis and the system can collapse. We are facing an unprecedented crises in the form of climate change, inequality and human disparities. Although, the crisis started in mid 1970s but now it is growing at an alarming pace and it has shaken the economic and social fabric of the world. Humans are desperate to find a solution for it.

Griffin's point was that Marxism's application to ecology shows that the ecological system cannot fulfill the unlimited desires of the capitalistic system. He urged that the world need to look for a solution beyond the capitalist system. As, capitalism cannot present a solution because it, itself is part of the problem (Griffin, Bao & Lu 2012).

Fred Magdoff and Foster urged that capital economic system and environment have a reverse relationship. Which mean when the economic system is performing good or showing positive trajectory, it has negative consequences for environment. When the system is in crisis the environmental indicators start to improve (Magdoff & Foster 2011). It is a very strong observation that has an example in the ongoing pandemic when during COVID-19 the environment started to improve dramatically. The improvement in environment was also observed during the financial crisis of 2007-08. However, after the financial crisis environment started to deteriorate more quickly.

Alfred North Whitehead suggested that the world needs new enlightenment or to transcend post-modernization. However, he was not anti-modernization, rather he was focused to refine the system in such a way that the world can benefit from modernization and post-modernization, equally (McDaniel 2008). Therefore, it is being recognized as a constructive post-modernization theory. The theory has many similarities to the concept of ecological Marxism, as both look for a change in the production system, care for nature and equitable resource distribution.

In 2015, Parliament of World Religions also stress the need for better production, growth and eco-friendly system. In its declaration it called for “*The future we embrace will be a new ecological civilization and a world of peace, justice and sustainability, with the flourishing of the diversity of life. We will build this future as one human family within the greater Earth community*” (Parliament of the world’s religions 2015).

Whitehead, Griffin and Cobb followed the idea of constructive post-modernization, ecological Marxism and made it talking point. The evolution of theory of Ecological Marxism can be understood in four phases built on the work of William Leiss and Ben Agger’s theory of ecological crisis; James O’Connor’s Dual-Crisis Theory; Joel Kovel’s eco-socialism; and John Bellamy Foster and Paul Burkett’s ecological Marxism (Ping & Zanglin 2007).

Griffin and Cobb focused on China to champion the implementation (Zhihe, Huili & Meijun 2014) of the concept. The term Ecological Marxism started to get traction during 1980s, as China was in initial stages of reforms. The application of Marxism to tackle the ecological issues and human prosperity were areas of interests for the Chinese leaders and scholars. The work of Agger, Whitehead, Griffin, Cobb and many helped to understand the theory with the Western approach. Moreover, Chinese are also benefiting from their philosophy and trying to act faster rather than waiting for the world. As Prof. Haung said, should we wait for the collapse of capitalist system, or should we sit idle? (Zongliang 2011). No China need to move and move fast.

Chinese scholars and experts, especially from the field of Marxism started to look into the concept and now are working with great zeal. They are working tirelessly to design and implement the concept of the eco-civilization. The urgency in actions is very clear since the beginning of President Xi took the office.

Eco-Civilization and China

China historically has been active on environmental protection. The first traces of environmental protection can be traced back to BCE. Han Feizi wrote that during the Shang Dynasty (1600-1046) there were penalties for dumping waste on roads or open spaces. Shang Dynasty made a law which punished a person by cutting off his finger if he throws the waste on the road (Zhihe, Huili & Meijun 2014). The traditional philosophy, wisdom and spiritual thoughts also highlights the importance of environment. Tao's concept of nature, Confucius's harmony between human and nature and Buddhism teachings all point towards the importance of nature. Pan is of the point of view that these Chinese traditional wisdom and religion can help combating the environmental problems in modern times. He further highlighted the importance of religion to counter the environmental degradation (Yue 2001).

Tao's concept of nature and deity is more concerned about the inner world, peace, well-being of people and give less importance to wealth accumulation. Confucius's harmony thoughts revolve around the prosperity of human beings by striking a balance between needs of people and nature. In addition, Buddha's teachings also played a central role in religious and social evolution of China. These concepts and teachings of elder helped China to build on the concept of prosperity and environmental consciousness. Shang and other Dynasties learned from them and applied them.

The modern China is also conscious about the need and importance of environment and its role in human prosperity. From 1979 onwards China introduced a number of environmental laws and strict actions. China's progress on the introduction of laws and rule was good (Canfa 2011) but the application of these laws is debatable (McDermott 2010).

Policy of opening up and reforms started from 1978 adopting the capitalist system of production. As, Mr. Deng pointed out that socialist system of production is not able to meet the demand of people. It led to adaptation of modernization of West. China followed the Western model for 30 years, which introduced the many environmental problems. The cost of environment started to rise, especially for human being. The resources started to bear the brunt of excessive exploitation.

There is no doubt that China did wonder on enhancing the forest cover. It has been highlighted by NASA that China contributed 42.3 percent in greening trend of mother earth. China has also invested heavily on afforestation and new forests. According to 8th national forest inventory the forest cover of China has increased from 8.6 percent in 1949 to 21.5 percent. It is expected that 9th inventory will show further increase as China has speed up the process of forestation (Fangyu 2019).

On other hand China has already introduced many laws like water pollution, air pollution, renewable energy, 660 local regulations and 800 national standards (Xuan 2009) but the application remain a major concern. Pollution started to cause deaths and bad environment for living. The situation led the Government of China to ponder more seriously on the problem in the early 2000s. President Hu Jintao in 2007 asked for adaptation of eco-civilization principles and work on creating a balance between economy and environment (Goron 2018). From here the political leadership of China has adopted the term and start to work on it. It is worth mentioning here that eco-civilization is a comprehensive term which includes economic development, environmental protection and social development. It focuses on a world where everything on earth has a right and we need to respect it.

President Xi Jinping Vision of Eco-civilization

President Xi Jinping said, eco-civilization is great plan for China to achieve “sustainable development” and achieve the goal of beautiful China till 2050. Hence, the policy framework and actions must be transformative in nature, to achieve the objective of construction of

ecological civilization. It is necessary that the basic framework must be in place before the 2035, the target date for modern China (Hanson 2019).

President Xi keeps the eco-civilization at the core of all decisions for steering the China to achieve eco-civilization with Chinese characteristics. President Xi said, green is gold and integral part of eco-civilization. Eco-civilization is key to build a beautiful China and achieve the China Dream (United Nations Environment Programme 2016). President Xi is also leading at global level in steering the process of transition to an environment friendly development. He is vocal about the importance of Paris Climate Change Agreement. President Xi is continuously stressing upon nations to adhere to the objectives of Paris Climate Change Agreement. China under the leadership of President Xi is working to achieve the Sustainable Development Goals (SDGs). President Xi has made it compulsory for government officials to look SDGs as important part of planning.

President Xi at domestic level has accelerated the efforts to implement Paris Climate Change Agreement, achieve the Sustainable Development Goals and Eco-civilization. He is convinced that to achieve all these goals, there is need to redefine the relationship between;

- 1) Market and Society
- 2) Resource allocation institutions and environmental regulators
- 3) Focus of government at all levels

He envisioned that these actions and reforms are necessary for realizing the dream of eco-civilization and beautiful China. He is also focusing on the importance of social responsibility and asking society to act as one unit. According to him, the goal of better environment and living cannot be achieved without the active and meaningful participation of society.

President Xi's vision of Eco-civilization is based on three distinct thoughts and practices. First, President Xi takes guidance from the Marxist philosophy and its focus on relationship between man and nature. He particularly concentrates on integration of three theories of Marxism, dialectics of history, dialectical of materialism and dialectics of nature.

Second, President Xi's vision of eco-civilization is rooted in traditional wisdom of China and role of thoughts of elders of China. He is putting efforts to integrate traditional Chinese knowledge and the elements of modern development and modernity. Lastly, it is based on the environmental governance history in China and environmental disasters which happened in the recent past. Now he is focused on improving the environment and has concluded that "economic development is important but lucid water and green mountains are more important for healthy living (Chengliang 2019).

President Xi from the beginning of his presidential term is focused on creating a balance between economic development and environment. He is of the view that green mountains and blue water is more important than gold mountains. He is convinced that ecology and GDP are mutually inclusive and re-enforce each other. 'A beautiful China is the guiding principle for future since 18th CPC meeting. Political leaderships under the President Xi has made it a goal and is working to achieve it (Xiang-chao 2018). The guidelines for achieving the objectives are;

1. *Protection first, scientifically demarcate and adhere to the ecological protection red line*
2. *Adhere to the rule of law and strengthen the legal guarantee of ecological civilization construction*
3. *Innovation-driven and enhancing the scientific and technological support of ecological civilization construction*
4. *Adhere to the system thinking and improve the top-level design of ecological environment management system*
5. *Insist on taking the people as the base and advocate the emergence of a new cultural movement for the whole people's ecological civilization*

China has taken many steps under President Xi to tackle the environmental problems. In 2014 at CPC meeting it was decided that environmental protection will be a key indicator to evaluate performance. Prime Minister Li said that blind development has impacted environment and now we will

work to improve the environment and devise a model of development which has limited consequences for the environment. President Xi in his speech at Paris highlighted that China achieved marvelous growth but environment is facing negative consequences. Therefore, we are working to improve it (Parr & Henry 2016).

In 2018 China further accelerated the efforts. China is also expediting work on Yangtze River area development in accordance with the vision of President Xi. China is trying to implement the principles of Eco-civilization in the development of Yellow River region. President Xi has directed that the development plans must be developed by keeping in mind the carrying capacity of Yellow River.

President Xi Jinping is trying to infuse his vision at all levels. For that purpose, President Xi is working to lay down the required institutional framework. It has been observed that during the period of President Xi environmental institutions are strengthened in term of capacity and power to govern. Now environmental institutions have power to impose strict punishments and means to implement the required interventions. Institutions have also been provided the required financial resources to implement the plans.

Now, under President Xi China has made environmental inspection is an integral part of government functions. In 2017 government of China sent 5600 law enforcement officers to inspect the environment. In 2018 government sent 18000 law enforcement officers for inspection. Environmental problems are being publicized first time and government is also seeking assistance from people to achieve the target of eco-civilization. President Xi consider environment as a matter of national security. Hence, he is prioritizing it (Sheng 2019).

President Xi has also ordered the energy transformation. The government of China has launched many renewable energy projects. China is also working on increasing efficiency of energy and retiring coal and other dirty energy plants. The energy mix of China shows that 28 percent energy comes from renewable sector. It is huge jump as compare to few years' back statistics (International Energy Agency 2020). President Xi has

further accelerated efforts to go for clean energy and reduce the energy use. For example, he is working to draw a new of heating system in China. He has asked the authorities to work on replacing coal-based heating system with natural gas or other clean means of heating.

President Xi has also announced to build ten national parks. It is part of strategy to protect the environment and resources of China. China aims to build park to protect entire eco-system. The first park, The Sanjiangyuan National Park is expected to be opened in 2020. It is pilot project and China is also learning from the experience of other countries (CTGN 2019).



Now China is entering to important phase of reforms for eco-civilization. The upcoming development plan (2021-2025) would be critical juncture for defining the future contours of actions and outcomes. It is also time for the activation of mid-term plan (2020-2035) to transfer China into modern country, which pave the way for the mid-term plan (2035-2050). Thus, President Xi has accelerated his efforts to define the future transformative policies and actions. He is continuously visiting the country and asking local governments to be active and actively participate in the construction of ecological civilization. He is advocating for a rational approach in

production and consumption. He is of the view that massive production and consumption lead to massive emissions. Hence, China should look for rational systems, avoid waste and promote thrift. President Xi in 2020 has asked his nation to minimize waste or eliminate it. He is promoting thrift. He is asking people to adopt a simple and low consumption mod of life.

However, to achieve the all the targets above and vision of President Xi, CPC, central committee, local party and government officials at levels will have to work together. CPC and central committee will provide policy and guidelines for action, and local party members and governments will have to implement with sense of responsibility and accountability. President Xi said, “all local governments and party leaders would be held accountable for environmental damage in their regions”.

The vision put forward by President Xi has influenced the environmentalists and proponents of sustainable development across the world. The community was advocating this transformative vision and actions for a long. Unfortunately, they could not get it and they were looking for leadership to lead the way. President Xi is filling this vacuum by presenting his transformative vision of eco-civilization (Lent 2018). David Korten is enthusiastic advocate of the concept and working to expand the vision at global level (Korten 2016).

President Xi is convinced that eco-civilization is best path to follow to counter the present and future challenges. Moreover, he is also looking at it as a source of strength in future. President Xi’s statement that eco-civilization is power in present and advantage in future, summarize the argument.

Eco-civilization Goals

China is in the process to develop a model of development, which would be based on the concepts of constructive post-modernization, ecological Marxism, traditional Chinese wisdom and modern socialism which leads to realization of the dream of Eco-civilization. China has introduced many reforms in accordance with the principles of eco-civilization and is showing good progress. However, there is a need to structure these efforts

against certain goals. The goals should be developed in accordance with socialistic characteristics of China, as President Xi always described it as priority.

On the basis of analysis and review of China's policies, Ecological Marxism, Constructive Post-modernization and Chinese traditional wisdom and modernity; following six goals can be developed;

1. **Goal-1: Economy:** Prosperity Led Growth and Development
2. **Goal-2: Environment:** Environment sensitive and ecological limitation sensitive economy
3. **Goal-3: Social:** Spiritual and need based development
4. **Goal-4: Political:** Inclusive, corruption free, moral based and people centric
5. **Goal-5: Culture:** Community, thrift, no waste, care,
6. **Goal-5: Sharing:** Shared Destiny, Shared Future, Shared Prosperity

The six goals can be presented as an alternative to achieve the dream of prosperity. These goals can have the following indicators;

Goals	Indicators
Goal-1	<ol style="list-style-type: none"> 1. Human centric development 2. Mechanisms of distribution of resources 3. Making living not money 4. Measurement of prosperity not GDP
Goal-2	<ol style="list-style-type: none"> 1. Limiting resources use 2. Environment at heart of development 3. Following ethics of nature 4. Harmony between economy and nature
Goal-3	<ol style="list-style-type: none"> 1. Welfare of all 2. No in-equality 3. No class differences 4. Universal education 5. Universal health 6. Respect for diversity 7. Social cohesion
Goal-4	<ol style="list-style-type: none"> 1. Inclusive governance 2. Equal law 3. Open participation 4. Fair play 5. Selection for job or meritocracy 6. Institutional linkages and coordination
Goal-5	<ol style="list-style-type: none"> 1. Community thinking 2. Thrift 3. No waste 4. Care for individual 5. Morality 6. Ethics
Goal-6	<ol style="list-style-type: none"> 1. Shared prosperity 2. Shared future 3. Shared destiny 4. National dream 5. Partnership 6. Win-win cooperation 7. Care for diversity

These are few indicators we can further delve on the concept and refine the indicators.

Eco-Civilization and CPEC

China-Pakistan Economic Corridor (CPEC) present opportunities for Pakistan to be part of the Eco-civilization drive of China. As, CPEC is a multidimensional project and includes a number of areas. The major areas of cooperation are;

1. Energy
2. Infrastructure
3. Industry
4. Tourism
5. Agriculture
6. Science and Technology
7. Transport
8. Skill development

These are all areas which are an integral part of eco-civilization. Pakistan can work with China to apply the concepts of eco-civilization. CPEC being the flagship project of BRI can also act as flagship project for eco-civilization.

It is heartening to note that China and Pakistan are already working on different aspects of eco-civilization. Both countries have heavily invested and are investing in renewable and clean energy. Solar and wind energy projects already started to produce energy. Government has also included hydropower projects in CPEC. Most recently government started two new projects of hydropower in addition to other renewables energy projects.

Pakistan and China can also apply the principles of Eco-civilization during the second phase, especially in industrial and agriculture cooperation. Government of Pakistan can work with China to build one of the SEZ according to new standards of development and eco-civilization. The proposed SEZ should have industry which follow the green principles. SEZ should be provided with clean energy and clean services should be provided. Government should also introduce special policy incentives for this proposed SEZ. China should prioritize cooperation in this SEZ and

encourage investors from China to venture here. The required technologies and skills should be also provided jointly. The successful execution of this proposed SEZ will help to create a model for other countries under BRI.

Second, Pakistan and China should work on the agriculture practices which ensure minimum GHG emissions. The use of chemicals and fossil fuels should be limited. The cooperation should also focus on the development of new breeds of animals which produce less methane gases. There can also be introduced programs of agriculture waste management and water conservancy. Best practices for land leveling and efficient use of water can also be promoted. New ways of rice sowing and production can also be explored to minimize the GHG emissions.

Environment friendly practices can also be adopted in infrastructure development. Transport system can also be organized and GHG emissions can be brought down. Electric vehicles and mass transport system would definitely help to reduce the GHG emissions.

These are few suggestions. Both governments can work together and introduce more programs according to the principles of the Eco-civilization.

Conclusion

The discussion in paper highlight that human needs a better life not only in term of money but in term of quality of life. The existing model of development and solutions offered under the capitalist model are not helping. There is a need to revise the model and look for new means to tackle environmental and developmental issues. Scholars and experts are working on the need and elements of new model.

Eco-civilization is the outcome of such efforts and hard work of scholars and experts. Majority of scholars and experts are pinning hope on China to lead the way. Fortunately, political leadership of China is cognizant of the fact and started to work on it. President Xi has special love for the environment and better life of people. He has accelerated the process of implementation of principles of Eco-civilization. World has witnessed remarkable achievements of China, on this front. China is also leading the

efforts to combat climate change and is a strong voice to implement Paris Climate Change Agreement with its true spirit.

However, China being a major power, needs to do more and help the world in implementing eco-civilization principles. China should develop Eco-civilization goals and promote them across the world. The starting point for working with other countries can be investments under the Belt and Road Initiative. For that purpose, CPEC, being a flagship project of BRI, can also be declared as a flagship project for eco-civilization. It will help creating a good case study and model for the implementation eco-civilization principles.

References:

- Canfa, W. 2011, *The Current Situation and Future Anticipation of China's Modern Environmental Legislation*, GESEP, 11 March, viewed 12 December 2020.
- Chengliang, H. 2019, Theoretical origins of Xi Jinping's thought on ecological civilization, Chinese journal of urban and environmental studies, vol. 7, no. 2, pp. 1975002-1975003.
- Cobb, J. 1999, *The earthist challenge to economism: A theological critique of the World Bank*, Palgrave Macmillan, UK.
- CTGN 2019, *Chinese president Xi stresses national park system as 1st forum opens*, CTGN, 19 August, viewed 11 May 2020, <https://news.cgtn.com/news/2019-08-19/Chinese-President-Xi-stresses-national-park-system-as-1st-forum-opens-JhEQR9VJTi/index.html>
- Daly, H. 2018, '1.1 billion people still lack electricity. This could be the solution', *World Economic Forum*, 20 June, viewed 11 October 2020, <https://www.weforum.org/agenda/2018/06/1-billion-people-lack-electricity-solution-mini-grid-iea/>
- Fangyu, X. 2019, *70 years of forest development: how does China make the world greener?*, CGTN, 22 February, viewed 12 August 2020, <https://news.cgtn.com/news/3d3d674d30677a4e32457a6333566d54/index.html>
- Goron, C. 2018 'Ecological civilization and the political limits of a Chinese concept of sustainability', *China Perspective*, pp. 39-52.
- Griffin, D., Bao, Z. & Lu, P. 2012, 'Step out of Business as Usual—An Interview with David Griffin', *Chinese Social Sciences Today*, 21 September.
- Hanson, A. 2019, *Ecological civilization in the People's Republic of China: values, action and future needs*, prepared by Asian development Bank, Mandaluyong.
- International Energy Agency 2020, *Electricity mix in China, Q1 2020*, IEA, 13 May, viewed 20 August 2020, <https://www.iea.org/data-and-statistics/charts/electricity-mix-in-china-q1-2020>
- Korten, D. 2016, 'China and the ecological civilization', *proceedings of the Donghu Forum on Global Governance: Symposium on Green Development and Global Governance*, Hauzhong University of Science and Technology, Wuhan, China, viewed 13 September 2020, <https://davidkorten.org/living-earth-econ-for-eco-civ/>
- Lakner, C., Mahler, D., Negre, M., Prydz, E. 2020, 'How much does reducing inequality matter for global poverty?', prepared by World Bank Group, Washington D.C.

- Lent, J. 2018, ‘Opinion: can China really lead the way to an “ecological civilization”?’,*Ensia*, 29 August, viewed 13 June 2020, <https://ensia.com/voices/ecological-civilization/>
- Magdoff, F. & Foster, J. 2011, *What Every Environmentalist Needs to Know about Capitalism: A Citizen’s Guide to Capitalism and the Environment*, New York: Monthly Review Press, New York
- Ma, G., Peng, F., Yang, W., Yan, G., Gao, S., Zhou, X., Qi, J., Cao, D., Zhao, Y., Pan, W., Jiang, H., Jing, H., Dong, G., Gao, M., Zhou, J., Yu, F. & Wang, J. 2020, ‘The valuation of China’s environmental degradation from 2004 to 2017’, *Environmental science and ecotechnology*, vol. 4, pp. 100068
- McDaniel, J. 2008, ‘Mei’s Invitation: A Gentle Asceticism for Chinese and Americans’, *Crosscurrents*, vol. 57, no.4, pp. 526–44.
- McDermott, M. 2010, *Why China’s Environmental Laws Have Been Useless in Stopping Pollution*, Treehugger, 24 September, viewed 12 December 2020.
- Ouyang, K 2003, ‘The Weicheng (Fortress Besieged) of Modernization and Its Transcendence—On the Values Orientation of Constructive Postmodernism and its Inspiration’, *Seeking Truth*, vol. 30, no.1, pp. 39–43.
- Parliament of the world’s religions 2015, *Plenary on Climate Change*, Parliament of the world’s religions, viewed 12 June 2020, <https://parliamentofreligions.org/civicrm/petition/sign?sid=4>
- Parr, B. & Henry, D. 2016, ‘China moves towards ecological civilization’, *Australian Institute of International Affairs*, 24 August, viewed 20 August 2020, <https://www.internationalaffairs.org.au/australianoutlook/china-moves-towards-ecological-civilisation/>
- Ping, C. & Zhanglin, H. 2007, ‘Is Ecological Marxism Western Marxism?’, *Academic Forum*, vol. 7, pp. 66–69
- Sheng, Y. 2019, ‘Xi article shows determination to build ecological civilization’, *Global Times*, 2 January, viewed 20 August 2020, <https://www.globaltimes.cn/content/1137873.shtml>
- SOAS n.d., *Unit 1: The earth system and its components*, SOAS, viewed 11 October 2020, https://www.soas.ac.uk/cedep-demos/000_P500_ESM_K3736-Demo/unit1/page_11.htm
- Twomey, D. 2020, ‘WWF warns environmental degradation on course to cost global economy \$15tr’, *EcoNews*, 13 February, viewed 11 October 2020, <http://econews.com.au/63593/wwf-warns-environmental-degradation-on-course-to-cost-global-economy-15tr/>
- UN News 2019, *Over 820 million people suffering from hunger; new UN report reveals stubborn realities of ‘immense’ global challenge*, UN News, 15 July, viewed 12 October 2020, <https://news.un.org/en/story/2019/07/1042411>

United Nations 2019, *WHO and UNICEF launch updated estimates for water, sanitation and hygiene*, United Nations, 20 June, viewed 17 October 2020, <https://www.unwater.org/who-and-unicef-launch-updated-estimates-for-water-sanitation-and-hygiene/>

UNESCO Institute of Statistics 2016, *263 million children and youth are out of school*, UNESCO Institute of Statistics, 15 July, viewed 12 September 2020, <http://uis.unesco.org/en/news/263-million-children-and-youth-are-out-school>

United Nations Environment Programme 2016, *Green is Gold: the strategy and actions of China's ecological civilization*, prepared by UNEP, Nairobi.

UNHCR 2019, *Worldwide displacement tops 70 million, UN Refugee Chief urges greater solidarity in response*, UNHCR, 19 June, viewed 11 October 2020, <https://www.unhcr.org/news/press/2019/6/5d03b22b4/worldwide-displacement-tops-70-million-un-refugee-chief-urges-greater-solidarity.html>

Xiang-chao, P. 2018, 'Research on Xi Jinping's thought of ecological civilization and environment sustainable development', *proceedings of the 2nd International Workshop on Renewable Energy and Development*, IWRED, China.

Xuan, L. 2009, 'China's Environmental Legislation Has Entered Benefit Game Period', *Green Leaf*, vol. 10, pp. 122–25

Yue, P. 2001, 'Marxist Notion of Religion Must Catch up with Time', *Huaxia Times*, viewed 15 October.

Zhihe, W., Huili, H., Meijun, F. 2014, 'The ecological debate in China: The role of ecological Marxism and constructive postmodernism-beyond the predicament of legislation', *Monthly Review*, vol. 66, no. 6, pp. 37.

Zongliang, H. 2011, 'Seeking Ways to Save Humankind from Existence Crisis', in Kang Ruihua, et. al., *Critique, Construction, and Inspiration: A Study of Foster's Ecological Marxist Thought*, Chinese Academy of Social Sciences Publishing House, Beijing.

Chapter -3

Governance and development model of China

1. Introduction

The sudden emergence of China as a global power has amazed many across the globe. Once an isolated and economically deprived country, China has defied Fukuyama's prediction of continued American dominance through its stunning social and economic development (Fukuyama, 1989). In the light of ever increasing Chinese influence in global economic and power structure, experts are studying its governance and development model extensively. It is quite appalling to see the country, once called out for its rigid socialist rule, is now being applauded for its extraordinary governance and development model. China has followed the concept of scientific socialism, which captures its customized and flexible version of Marxist administrative policies. Consequently, the Chinese governance model is a unique mix of communist and westernized liberal democratic school of thoughts with Chinese characteristics (Ramay et al. n.d.).

The institutional reforms of China comprise of numerous fundamental changes aimed to improve state of economy and governance gradually while ensuring that its benefits are passed on to people at grass roots level. Chairman Mao brought about reforms in 1949 and his legacy continued to bring positive impact on institutional governance. Mao took a number of steps to address accumulation of wealth in the hands of few by streamlining efforts against corruption and targeting class difference. After him, Deng Xiaoping opted for economic impetus through foreign investments. The goal was to alleviate widespread poverty in the country.

President Xi Jinping, who took over in 2012, continued with this chain of reforms. Ever since he took over the system, he opted for a number of revolutionary policies. November 2013 was a hallmark for Chinese governance model as the Chinese Communist Party, led by Xi, opted for large-scale structural reforms, thereby enhancing its governance capacity (Bai & Liu, 2020). As stressed by Xu Xianglin, a political reformer working closely with higher authorities, the purpose of these institutional reforms is to include social demands into all state institutions. The socialist governance model, as adopted under the dynamic leadership of President Xi Jinping, signals a clear paradigm shift where the nationalist rhetoric has been revived through teaching and guidance in social, economic, and political spheres by the state. Such ideology, while in direct conflict with liberal democratic model of governance, depicts that the apex role of Communist Party continues till date, thereby delegating highest level of decision-making to the said party exclusively (Seesaghur, 2015). However, it is pertinent to mention here that Chinese Communist Party (CPC) does not act as a ruling or political entity. It preferred to act as father figure of nation and known as servant of the people and society.

President Xi laid out a comprehensive policy of reforms, which are known as the president Xi's philosophy of governance. The reform policy has been designed to achieve the China Dream which revolves around the concepts of prosperity, harmony and shared destiny. China Dream comprises of the national ideals as envisioned by President Xi. He embarked upon numerous social, political and economic reforms successfully to overcome imbalanced economic progress. His mettle was resonated in enhanced economic and diplomatic interventions of China, thereby increasing China's significance in regional and global horizons.

President Xi started his second tenure by announcing the New Era of Modernization of China. The blueprint for his future plans, as demonstrated in the 19th CPC National Congress 2017, implicate that China's take on socialism is entering a new phase. Under President Xi's dynamic leadership, China is foreseen as a modern socialist country promoting economic, cultural, political, social and ecological coordinations at all platforms. Among global leadership, President Xi is seen

as a reformer determined to outdo traditional democratic and autocratic governance structure through China's take on socialist model (Chen, 2015). This paper focuses on the governance and development model being followed by China with emphasis on comprehensive reforms introduced by President Xi.

2. Characteristics of Chinese governance model

2.1. Value Based Political Meritocracy

Good governance necessitates improved living conditions, including free and fair access to basic means of life. The typical socialist governance model presents the concept of shared ownership and economic enhancement through industrialization. On the contrary, liberal democracy model, employed by western powers, claims to be inclined more towards bottom up approach. Chinese governance system employs personalized socialist model, termed as political meritocracy, for achieving good governance indicators (Bell, 2018). Often labelled as a party state, China ratifies the basic human rights of its citizens and endorses the liberal democratic principles propagated by western nations. However, the Chinese leadership does not approve of the electoral system as they are certain that a single election is not appropriate for a culturally and ethnically diversified society as China (Seesaghur, 2015). Chinese selection system resonates with their unique cultural values where "wise and able" individuals are selected for propagating the country's vision forward. Experts often comment that despite popular belief, political meritocracy is nothing like totalitarianism since it favours most of liberal values incorporating some forms of political participation.

The CPC operates on an ideological hierarchical structure which ensures that the ones chosen for different executive posts maintain moral integrity along with professional competence. The core ethical values of CPC are collectivism, loyalty and selflessness. Initially, the officers were selected and promoted on the basis of these values. However, the rampant corruption and relegateing moral integrity led CPC to introduce 12 core socialist values in 2012¹ (Xu, 2015). These values were introduced to

foster and promote value based system reflecting Chinese cultural traditions. Additionally, the value based system aimed to counter growing approach of individualism seen after rapid economic progress. The introduction of new core values is hailed as an attempt to strengthen a legitimate political structure through creation of a new cultural order for long-term economic and social stability (Gow, 2017).

2.2. Pluralist Governance Structure

Though China is being ruled by Communist Party since 1949, it is not a rigid monolithic governance at all, as propagated by the western intellectuals. The politics-administration dichotomy model, commonly referred to as “party-state system” allows the ruling party to initiate governance reforms and delegate regional autonomy to lower administrative levels (Bai & Liu, 2020). Contrary to the popular belief that a single party handles and controls the entire state and its subsidiaries, China’s governance reforms have established a distinction between state and party. While party is mainly responsible for making policy prioritizations and upholding cadre management based upon value system, the state ensures internal legitimacy for its organs through the implementation of state policies. The distinction indicated a shift from traditional political process dominated entirely by a unified party leadership. Although the decisions from party leadership still remain supreme, the subtle shift in power politics is significant in rapidly transitioning governance structure China understands the complexity of its governance structure and assigns hierarchies to enhance communication along with its productivity. As demonstrated by USCBC (2017), the Communist Party of China is divided into three tiers. The top level tier comprises National Congress, the Central Committee and the Politburo Standing Committee (PBSC). PBSC is the top most authority in the country, which consists of supreme leadership of CPC. The second level consists of secretariat of Central Committee, two special commissions, military commission and Central Commission for Discipline Inspection (CCDI). The Central Committee contains major specialized groups, which play an important role in the consultation phase of policy formulation. Some of the groups, especially those related to economic and foreign

affairs, have gained institutional significance. Since this tier plays a leading role in policy formulation, President Xi anticipated their growing importance in the context of comprehensive reforms and has not only strengthened their leadership but also formed additional groups for increased efficiency. The third tier represents different divisions in charge of day-to-day dealings in administrative and implementation phases. Consequently, all of these tiers work collectively for social, economic and political welfare of its citizens (Jun, 2018). Alex He has demonstrated this model in the form of following diagram 1:

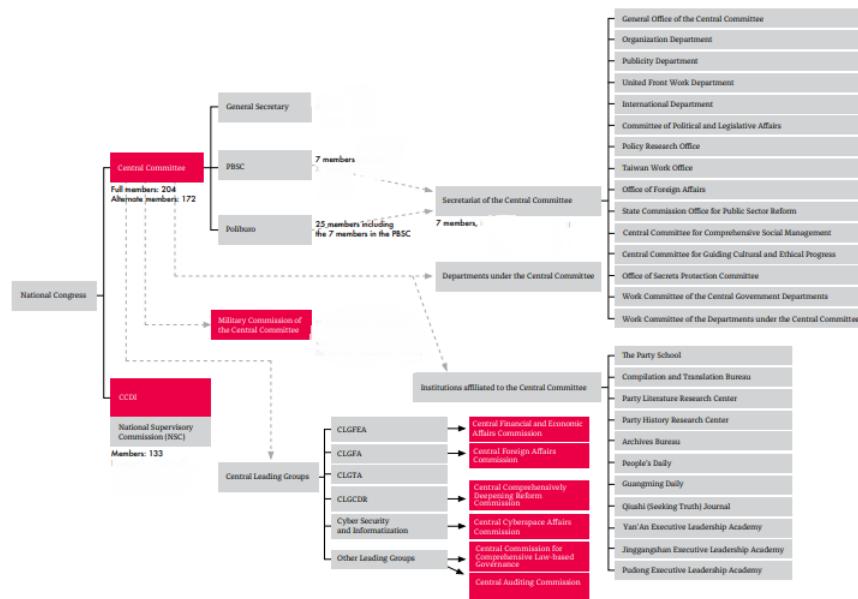


Diagram 1: Hierarchical structure of Communist Party of China (CPC)

Conversely, the structure of Chinese government involves legislative, administrative and judicial branches at each governance level. Additionally, the Chinese People's Political Consultative Conference (CPPCC), which is a political consultative body, also ensures its presence at every tier. All of these factions assist the implementation phase of policies devised by different subsidiaries of CPC. It is mandatory for all departments working under federal or provincial tiers to strictly adhere to directives issued by the Central Committee. In this context, all the state departments work in coherence with each other to ensure smooth transition

to implementation stage. The legislative branch assists the government in legal enactment and supervision of guidelines, plans and schemes through the People's Congress. The administrative branch comprises the most significant organ, i.e. the State Council that controls all aspects of governance at federal and local levels. Different ministries and commissions work under the State Council to ensure an efficient performance. The council comprises prime minister, vice-prime minister, ministers and councilors. Prime minister handles all the tasks of the State Council while ministers assume responsibilities of their respective departments (Ahmed, 2018). The judicial branch of this scrupulous governance mechanism ensures that state officials remain accountable to policy directives issued by legislative branch. The following diagram 2 shows the hierarchical structure of Chinese government.

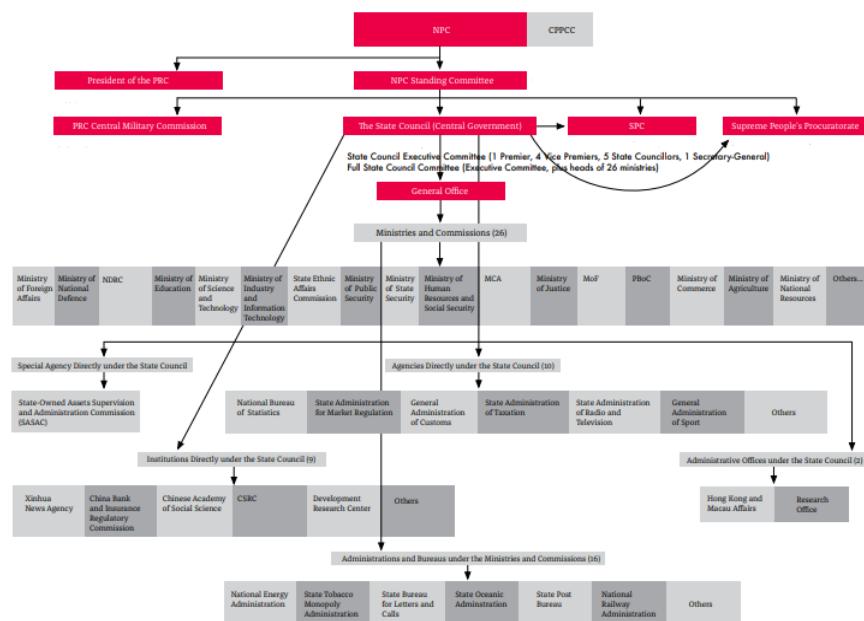


Diagram 2: Government structure of Peoples Republic of China (PRC)

2.3. Gradual transition to decentralization

The gradual yet substantial set of governance reforms, introduced from 1978 to 2020, sets apart the Chinese governance system. The reason behind transition from a centralized government to regional autonomous

infrastructure was twofold. First, as the system moved from centralized to pluralistic structure, it was felt that the governance power was accumulated in the hands of few only (Keping, 2008). Deng Xiaoping exhibited abhorrence for centralized governance infrastructure and termed it the biggest hurdle in the way of social and economic development. Second aspect of decentralization was to establish an ideal mechanism for the protection of the interests and rights of Chinese community. The Chinese constitution was, thus, amended to establish a system balancing different aspects of socialist and democratic governance.

China Legal Information Center points out that the CPC initiated the process by classifying 05 autonomous regions, 30 autonomous prefectures and 116 autonomous counties (China's Legal Information center, 2015). The following diagram represents an immaculate local governance structure of Yunnan province:

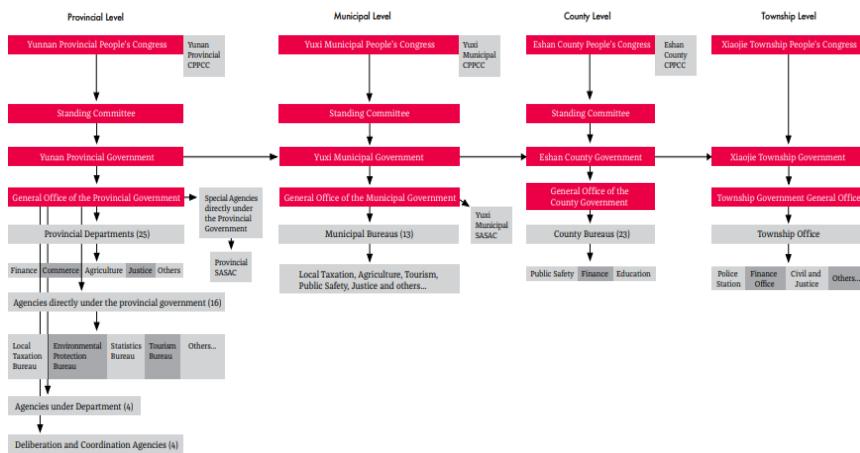


Diagram 3: Local government structure of Peoples Republic of China (PRC)

CPC's organizational infrastructure is replicated at local provincial levels on a smaller scale. The municipal and county level governments also comprise the same structural units. The Party Congress, Party Committee and all major departments of Central Committee are represented by their subsidiary groups at provincial, municipal and county levels. At lower levels like town and village, the party committee exists in the form of party branch having core decision-making responsibilities. However, there is no presence of distinct division groups of Central Committee at the said

levels. The village represents lowest level of administrative cadre in local governance structure.

While looking at the central and provincial level management structure, it becomes quite clear that the propaganda of “a single party rule” is quite baseless. The Chinese community is directly involved in election process at county level. The representatives are chosen through electoral process. Consequently, they are in charge of electing representatives for NPC and provincial assemblies. Therefore, similar to the democratic procedures, the inclusion of locals in administrative matters is deemed necessary by Chinese authorities as well (Ahmed, 2018). Self-governance is practiced widely at every level through congress and government. All ethnic groups are given adequate representation in people’s congress. Apart from the powers vested upon the local establishment, the people’s congress enjoys complete autonomy to pass any regulations in accordance with their local political, cultural or economic demographics. Additionally, they can manage the educational, cultural and public health affairs of their respective areas independently as well (China's Legal Information center, 2015). Hence, contrary to common misconception, the decentralized structure not only passes along the dividends of economic progression to common men, it also ensures that local representatives are given their due share in power structure.

2.4. Chinese Decision-making Model

Chinese decision-making model is shaped by the basic party-state dual governance model. This model is governed by the delicate balance managed between centralization and decentralization (He, 2018). The principles of collective and consensus based decisions are quite evident in this type of model where party committees and government officials are involved in decision making at various levels. The policy agenda is finalized by political leaders in bottom-up approach while its implementation takes place in top-down style. They follow interior decision making style to represent the interests of common people by procuring popular opinion through field investigations, major think tanks

and advisers. The pluralist governance always takes into account the needs of local population by reaching out to lowest level officials.

The most distinctive aspect of the Chinese political cadre is Gui Kou management structure where there are a number of specialized departments for different aspects of governance, including education, economy, foreign affairs, defense, etc. A Kou comprises a vertical managerial infrastructure, which is filled with all officials and advisors of same managerial area. These officials are responsible for aiding in the policy formulation system and overseeing all important affairs belonging to that cadre. The Gui Kou system plays a substantial role in augmenting policy coordination between state and party which, in turn, enhances the efficiency of governance structure (He, 2018).

Both PBSC and Politburo play a central role in guiding and mentoring the nation for following a wise course of action. The economic guidelines, strategic plan recommendations along with references for social development models are some of the most significant advocacy documents drafted at this level. Here, Gui Kou system plays its role in protecting the interests of common men by suggesting appropriate prioritization of policies relevant to their areas. The policies thus formulated are discussed at plenary meeting of Party's Central Committee and are approved upon consensus. After approval, the State Council and local governance structures at all levels are responsible for implementation of vital strategies and policies. Each ministry working under the State Council is responsible for enactment of decisions relevant to their specific fields. In simpler words, at national level, the Central Committee is involved in policy formulation while local fraternity is responsible for execution of these policies. At provincial level, the same structure is applied with provincial party standing committee issuing policy recommendations and provincial government enacting the advice in legal system. Therefore, a top-down approach is implemented in the said Chinese party-government dual track administrative system. The subsequent diagram represents a pictorial representation of the said dual governance structure:

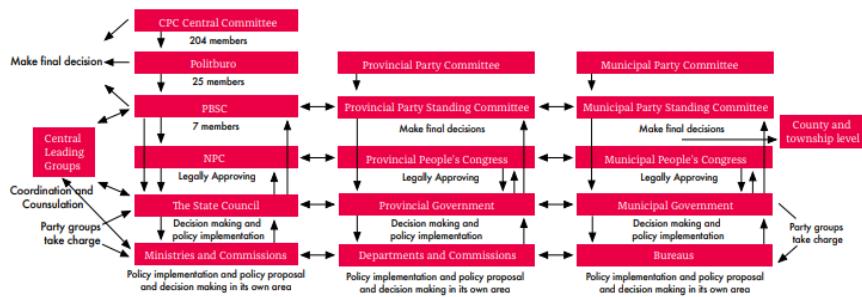


Diagram 4: Decision making model followed in People's Republic of China (PRC)

2.5. Upward Accountability

The western political systems often perceive the Chinese meritocracy system devoid of any accountability infrastructure. However, Dingding Chen proves them wrong by recounting a unique accountability process within the Chinese governance structure. Instead of using an institutional approach like that prevalent in western democracies, Chinese system employs a cultural legacy to eradicate the menace of corruption (Chen, 2015). The notion of upward accountability is practiced widely which suggests that executive officials are directly answerable to the party leadership. Chinese meritocracy upholds high moral standards for all those elected to the executive posts. The corruption charges against any official are taken very seriously and are thoroughly investigated. The cultural approach believes that instead of forming any formal institute, any embezzlement charges should be dealt with through internal and external pressures. Under President Xi Jinping's leadership, the anti-graft policies have been strengthened to get rid of corruption rampant in village cadres. Experts have expressed their concerns on the absence of downward accountability, nevertheless, the decrease in local level corruption shows that Chinese efforts have been fruitful in controlling deceitful practices of government employees.

2.6. Governance Philosophy of President Xi Jinping

Under the dynamic leadership of President Xi, Chinese governance reforms have taken the old path with new vigor. The new era of modernization, as illustrated by President Xi during 19th Planner meeting of CPC, is a comprehensive mechanism interpreting an elaborate system comprising of various components interconnected to collective development. While President Xi has continued with the economic reforms introduced by his successors, he is focused upon reducing economic divisions by eradicating imbalanced social development. Consequently, he is completely focused upon enhancing the qualitative standards of life as compared to quantitative ones introduced by his successors. Owing to his pragmatic approach, his thoughts on “Socialism with Chinese Characteristics for a New Era” have been incorporated in the state constitution (Foreign Languages Press Co. Ltd, 2014). He has devised a series of steps as a part of a comprehensive strategy devised to place his party at the center of every aspect of economic, political and social development. Following are some of the most significant steps of “Road of Rejuvenation”, a roadmap leading towards the famous “Chinese dream”:

2.6.1. Curtailing Institutional Corruption

One of the most significant aspects of President Xi’s philosophy is his take on rising corruption and rapidly deteriorating CPC’s internal code of conduct. He approved a number of policies to strengthen party discipline by eradicating institutionalized corruption. Under the new guidelines approved by Central Committee, the power of top brass leadership has been magnified to incorporate aspects of political unity within the Communist Party. President Xi has introduced several measures to eradicate four work **styles-formalism, bureaucracy, hedonism and extravagance**-which are toxic for democratic centralism, as opted by China. In this context, a National Supervision Law was passed to make the party executives accountable for their actions (Garrick & Bennet, 2018). Under this law, supervisory missions were vested with powers to investigate any lapse observed in compliance of state policies. A unique

aspect of Xi's campaign against corruption is working against corruption prevalent in military and local governance structure. Additionally, the "Sky Net" operation, initiated against white collar criminals, has also been successful. The Communist Party declared that this campaign aided in returning 1000 fugitives and extracting \$519 million from them within a year (NBC News, 2019). Such dedicated anti-corruption efforts have increased the popularity of President Xi immensely and he is being viewed as the nation's prime savior and hero after Mao.

2.6.2. Ensuring Rule of Law

In another historic move, President Xi emphasized to support the rule of law through restructuring of judicial system and creating law awareness among masses. The basic objective of the said campaign was to enhance moral integrity and social responsibility of citizens. Through this prong of comprehensive reforms, President Xi has pledged to establish and safeguard the authority of constitution and its laws (Keck, 2014). The energetic drive for ensuring rule of law, amalgamated with its zealous antigrant drive, is bound to strengthen political unity, reinforce the role of political leadership and augment the structure of social justice within the Chinese society. Thus, it is quite evident that these reforms are a part of President Xi's efforts to codify party leadership under a common banner of "law-based governance" so as to achieve management efficiency (Garrick & Bennet, 2018).

President Xi's work plan revolves around the rule of law based upon socialist rule with Chinese characteristics. He supports the formation of coordinated laws existing within the framework of state constitution to exercise integrated state and government powers. He is a strong supporter of supremacy of Chinese constitution and aspires to form a clear pathway for the code of conduct of government officials within the limits proscribed by law. He also hopes to improve legislative process to ensure quality based governance infrastructure delivering to common man at grass roots level (Foreign Language Press, 2020). The end goal of this whole process is to inculcate moral values along with professional capabilities among officials which is the basic essence of Chinese culture.

2.6.3. Comprehensively Deepening Reform

The current tenure of President Xi Jinping is famous for its efforts to create a balance between centralization and decentralization. While aiming for centralized party approach, he prefers decentralization in economic led reform of his government. During the Third Plenary Session of 18th CPC Central Committee, President Xi explained this idea in detail. He proposed that, for economic progression, markets need to take a decisive role for resource allocation. He suggested a limited role of government in market economy so as to rebuild socialist economy. In his view, the major role of government should be limited to handling of macroeconomics only, thereby reducing its involvement in micro affairs of different companies. President Xi indicated that sustainable economic development was not possible without the prospects of opening up the local economy. The initiation of comprehensively deepening reforms depict an important transition from state owned economy to mixed ownership economy where private companies would be allowed to hold shares in state owned franchises. Through this reform, China is pursuing structural reforms for leading a modernized local economy, intended to play an active role in global economy, through strategic partnerships. President Xi is not only focused for economic progress of society but also wishes to strike a balance between speed and return on investment through modernized economy. He aspires to create a balanced society where all are able to get dividends of economic progress made by state institutions. Osamu believes that President Xi, in his utmost wisdom, has given a balanced approach of public and private ownership based infrastructure for cementing economic progress and social development of Chinese society (Tanaka, 2015).

3. Characteristics of Chinese Development Model

3.1. State-Led Efforts for Poverty Alleviation

The primary objective of inculcating institutional reforms in governance cycle was to alleviate poverty of urban and rural areas. The figures quoted by World Bank indicate that over the past four to five decades, through

extensive trade efforts and effective poverty alleviation schemes, China has managed to pull more than 850 million people out of arduous shackles of poverty (Foreign Language Press, 2020). Through targeted schemes like Dibao, state tried to create a social security safety net for its citizens. The overall condition of society has improved enormously as seen by social indicators, including increase in life expectancy along with decrease in mortality rate and illiteracy (Zhang, 1993).

The Chinese government never wavered from its commitment of providing equitable public services to its citizens. Numerous measures were introduced in reforms to eradicate poverty through enhanced agricultural growth. Firstly, the land reforms led to distribution of collective lands to peasants, thereby giving them ownership of the land. Consequently, the agricultural yield increased to about 54% during 1978-84. Secondly, the government offered monetary compensations for increasing grain production. Thirdly, price reforms were introduced to enhance the agricultural income of local rural population. The fourth and most important one was migration policy (Zhang, 1993). Through this strategy, the government allowed migration of rural populace to urban areas so as to reduce regional disparities. Such extensive measures bore fruit and the poverty rate dropped from 88% in 1981 to mere 2.1% in 2017 (Suleri, et al., n.d.).

3.2. Fast Economic Growth and Industrialization

Alvin accentuates that the economic progress remained the most significant part of Chinese reforms which resulted in its transformation from a poor and largely ignored third world country to economic power house within three decades (So, 2014). The economic reforms, introduced in 1979, led to free market and foreign investment, thereby stabilizing the stagnant and vastly isolated local economy. Termed as the fastest sustainable economic progression in history by World Bank, Chinese economy doubled its GDP every eight years (FAS, 2019). Even during the unanticipated coronavirus pandemic, Chinese economy is the first one to report a rebound of 3.2% in 2nd quarter of 2020. This was possible only due to Chinese development model led by mobilization of industrial

resources and promotion of trade, thereby paving the way for high economic growth and consequent improvement in social lifestyle.

3.3. Technological up Gradation and Innovation

The Chinese development model was introduced by CPC's foresighted policy makers who understood that human resource development was essential to empower local population and gain strategic advantage in future scientific developments. In this context, China improved its educational capabilities to modernize its research capacity and revolutionize the production processes. Owing to such wisdom of decision makers, China also started attracting foreign investment from large-scale corporations for their research activities (So, 2014). Consequently, not only the skills of Chinese workers improved but the production quality also escalated rapidly, thereby enhancing the value addition in product development.

Currently, China is leading the fourth industrial revolution with development activities in areas like Artificial Intelligence (AI), 5G, robotics and quantum computing (Schoff, 2019). Any major breakthrough in these fields would dictate future dominance in all segments, including economic and military power. While China realized this ages ago, other countries are only realizing the immense importance of innovation and technological upgradation now. As the technological competition is becoming aggressive each day, China has already gained the status of leading innovator due to its progressive development model.

3.4. Development Policy of President Xi

The political governance structure of Chinese governance structure conforms to a socialist model, which is customized according to Chinese society. President Xi Jinping has introduced a modernized version of Marxism-Leninism mechanism to work out on the social, political and economic issues surrounding the Chinese society (Kejin & Xin, 2015). His goals dictate achievement of a moderately prosperous society through structural and institutional innovations. The following are the major prongs of development model proposed by him:

3.4.1. Poverty Alleviation Through Qualitative Development

When President Xi came into power, he focused primarily on eradication of poverty and improvement of livelihood through initiation of qualitative development statistics. He realized that there was an inequitable development deficit particularly visible in poverty-stricken areas. He realized that for a prosperous society, harmony and equality was necessary in development oriented poverty alleviation schemes (Foreign Languages Press Co. Ltd, 2014). He allocated special funds and target oriented development measures to employ qualitative progress instead of focusing on quantitative growth only. Through his development initiatives, he aspires to improve the standard of living of more than 1.3 billion people. He is of the view that previously, the focus was on the provision of some basic needs and requirements to Chinese community. Now, as the economic situations has progressed, the focus needs to be towards qualitative empowerment of local population. Through his reforms, by the end of 2050, China is expected to emerge as a modern socialist state which is prosperous, democratic and culturally advanced.

According to the China Dream envisioned by him, China must work towards a moderately prosperous society by modernizing all aspects of society. He has a unique take on the development of population by asserting on projects actually directed towards sustainable development of Chinese community instead of making mere exaggerated claims for earning short-term approval of community. He concentrated specifically on rural areas to bring them at par with urban developed zones. He understood that provision of better lifestyle and improved economic opportunities was a difficult yet important task for his party. In this regard, he initiated a number of development policies. Firstly, he introduced a new form of urbanization so as to offer prospects of urban family registry to farmers. While realizing that urbanization was the key to China's development and growth, President Xi offered residential and social security to these farmers on migration to urban areas.

Secondly, in the 19th CPC National Congress in 2017, President Xi has taken up a multipronged strategy for battling with the curse of poverty. He talks about the mandatory role of state and party in poverty eradication

through adherence to goals and standards. He believes that it is not only efficient policy making at legislature level but also its effective implementation at provincial level which would ultimately deliver effective guidelines against this social evil. Thirdly, while doing so, he asserts on robust data sharing as well as analysis for taking some targeted measures. Through a strong data analysis, the poverty alleviation funds are allocated and supervised more efficiently than before. On the whole, these are the most significant steps taken by President Xi to achieve a radical yet sustainable economic revolution in Chinese society so as to break the shackles of extreme poverty.

3.4.2. Better Educational Opportunities

President Xi strives to provide improved educational opportunities to people without any discrimination. While speaking at UN Global Education First Initiative ceremony, Xi pointed out that a better societal infrastructure was possible solely with fair education infrastructure. He aspires to revive the social order through the promulgation of scientific education and IT. While accepting that the current curriculum meets the economic and social requirements of local population, he accepts the institutional barriers still intact in the way of long term educational developments. Through the multifaceted reforms, President Xi wants to address a number of shortcomings prevailing in existing structure, including pressure of root based learning on physical and mental health of students, low quality education at higher level, lack of focus on political education and a balanced development of students. President Xi is working on the basic national policy based upon a socialist modernized form of education for ensuring equal access to educational opportunities. President Xi is focusing specifically on education mechanism based on Chinese values to instill moral integrity among students (Foreign Language Press, 2020). Therefore, it is quite visible that President Xi is striving for social and economic development of local population through a number of initiatives meant to enhance their quality of life. He believes that a diverse development model, tailored to specific requirements of local cadre, is more appropriate as compared to a universal expansion model.

3.4.3. Ecological Conservation and Environmental Protection

In his reforms, President Xi has given utmost significance to ecological conservation and environmental protection. At the 19th National Congress of CPC, he pledged to build a ‘beautiful China’ by giving priority to ecological progress along with economic, political, cultural and social growth. Owing to his devoted struggles for accomplishing success in all five spheres, China is now leading the world in environmental reforms as well. President Xi has launched numerous campaigns for reducing energy consumption, including Green finance initiative, which facilitates environment-friendly firms along with strengthening of environmental laws and regulations (Foreign Languages Press Co. Ltd, 2014). By the end of 2035, he aims to enact a number of effective policy measures for creating an eco-civilization revolving around environment-friendly industrial mechanisms and land use planning infrastructure. Across China, different projects are in the implementation phase for green growth so as to achieve innovative, coordinated, open and shared development, as per China Dream. His pledge guarantees a renewed enthusiasm towards mitigation and reversal of damage caused by environmental pollution and decades of unrestrained development.

3.4.4. Protection and Promotion of Basic Human Rights

President Xi has always shown his commitment towards the provision of human rights and dignity through the formation of a global governance infrastructure based upon shared values. As per the Universal Declaration of Human Rights, President Xi has established his reforms on people centric vision. He has granted social, economic, political, cultural and environmental rights to Chinese citizens and has defended their right to social justice at all platforms (Foreign Language Press, 2020). He has always affirmed that the people are the greatest strength in their governance infrastructure so they should always remain prioritized. Overall, he follows a well balanced approach for advancing with time while maintaining the orientation of his society.

4. Economic and Social Impact of Chinese Governance Reforms

The transition of Chinese socialist governance during the last 35 years has changed its economic, social and political horizons. Penned by President Xi Jinping in 2015, The Governance of China depicts that the material and cultural needs of masses led to such historical transformation. The economic crisis of 2008 was a turning point for China in which China developed indigenous plan and endorsed completely. As depicted by President Xi, the model is a version of socialism which deviates from the concepts presented by Marx and Engels to achieve success desired by Soviet Union.

4.1. Economic Impact

As Chinese model started allowing foreign capital inflow, it was foreseen that the surplus amount would aid in quick revival of local economy. The next few years showed the positive implications of this wise and timely intervention. While European economies were still struggling to cope up with after-effects of disastrous financial crisis, Chinese economy not only regained its old position quickly but was also making substantial improvements. Yiwei depicted this as “The Five Integrations” framework and explained it as a relative ease in policy constraints adopted by socialist government (Yiwei, 2014). The local markets were given the right to allocate mandatory resources as and when required. This financial ease played a major role in economic boom of China. All the short-term and long-term commercial goals were amalgamated into Sustainable Development Goals, which gained momentum with foreign investment. The “One Belt One Road” initiative, currently adopted by Chinese authorities, further boosted the economic progress. Through this initiative, Chinese socialist administration intends to create opportunities for boosting local trade and local cultural connections (Li, 2015). It is also viewed as an industrial revolution which could enhance employment opportunities. The following chart depicts economic progress of China in recent years after the introduction of governance reforms:

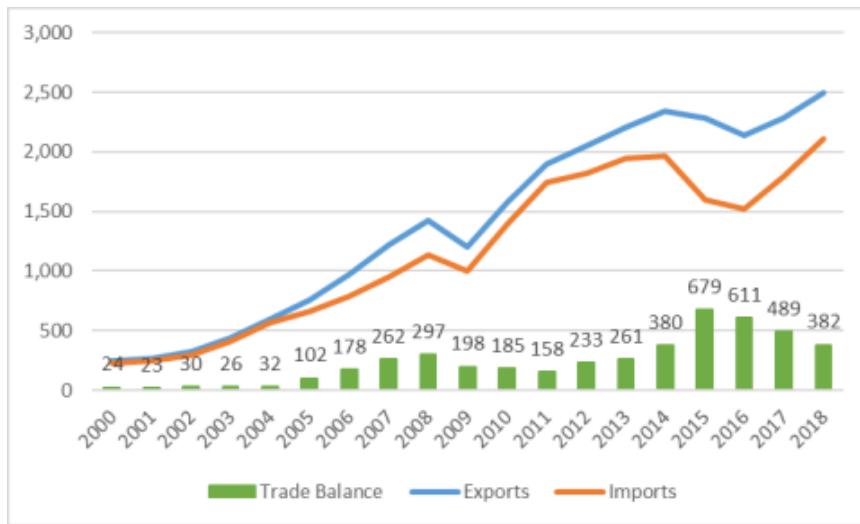


Diagram 5: Economic Progress of People's Republic of China from 2000-2018

3.2. Social Impact

As a part of reforms, China opened its markets to foreign investment, thereby opening doors of opportunity for local population. As the Chinese governance system is shifting from traditional to innovative and new cultures, it is expanding boundaries of its social security system as well. Through the BRT projects and trade liberalization, the employment opportunities are bound to increase for local population, thereby leading to a comfortable lifestyle for majority of population in coming days (Yiwei, 2014). The integrated borders would ultimately lead to cultural diversity, thereby increased educational opportunities for students abroad.

References

- Ahmed, S 2018, *How does the Chinese political system work?*, s.l.: s.n.
- Bai, Z & Liu, J 2020, China's governance model and system in transition, *Journal of Contemporary East Asia Studies*, pp. 65-82.
- Bell, D 2018, China's political meritocracy versus Western democracy. *The Economist*, 12 June.
- Chen, D 2015, How China holds politicians accountable, *Today*, 27 May.
- China's Legal Information center 2015. *China's Legal Information center*, viewed 10 September 2020, https://www.chinadaily.com.cn/m/chinalic/2015-05/30/content_20725720.htm
- FAS, 2019. *China's Economic Rise: History, Trends, Challenges, Implications for the United States*, s.l.: FAS.
- Foreign Language Press, 2020. *Xi Jinping: The governance of China III*. 1 ed. s.l.: Foreign Language Press.
- Foreign Languages Press Co. Ltd, 2014. *Xi Jinping: The governance of China*. s.l.: Foreign Languages Press Co. Ltd.
- Fukuyama, 1989. The End of History. *The National Interest*, pp. 3-18.
- Garrick, J. & Bennet, Y. C., 2018. "Xi Jinping Thought": Realisation of the Chinese Dream of National Rejuvenation?. *China Perspectives*.
- Gow, M., 2017. The Core Socialist Values of the Chinese Dream: towards a Chinese integral state. *Critical Asian Studies*, 49(1).
- He, A., 2018. The Emerging Model of Economic Policy Making under Xi Jinping. *CIGI*.
- Jun, Z., 2018. How China's balancing act between centralised control and local leadership will be critical to its future. *South China Morning Post*, 2 October .
- Keck, Z., 2014. 4th Plenum: Rule of Law with Chinese Characteristics. *The Diplomat*.
- Kejin, Z. & Xin, G., 2015. Pursuing the Chinese dream. *China Quarterly of International Strategic Studies*.
- Keping, Y., 2008. *China's Governance Reform from 1978 to 2008*. s.l.: Institute of East Asian Studies.

- Li, H., 2015. The Chinese Model of Development and Its Implications. *World Journal of Social Science Research*, pp. 128-138.
- NBC News, 2019. China's anti-corruption campaign recovers \$519 million in a year. *CBC News*, 11 January.
- Ramay, S. A., Bhatti, M. A. & Suleri, D. A. Q., n.d. *The Chinese Governance System and Development Model: Lessons for Pakistan*, s.l.: SDPI.
- Schoff, J. L., 2019. *Competing With China on Technology and Innovation*, s.l.: Alliance Policy Coordination Brief.
- Seesaghur, H. N., 2015. Good Governance with Chinese characteristics: A perspective of China's Socialist Model. *Journal of Public Administration and Governance*.
- So, A., 2014. The Chinese Model of Development: Characteristics, Interpretations, Implications. *Perspectives on Global Development and Technology*.
- Suleri, D. A. Q., Javed, M. & Ramay, S. A., n.d. *Poverty Alleviation Model of China: Lessons for Pakistan*, s.l.: SDPI.
- Tanaka, O., 2015. Economic Reform and Economic Policy of the Xi Jinping Leadership. *Policy Research Institute, Ministry of Finance, Japan*.
- USCBC, 2017. *China's 2017 Communist Party Leadership Structure & Transition*, s.l.: USCBC.
- Xu, Z., 2015. Competition and Compassion in Chinese Secondary Education. *Palgrave Macmillan*.
- Yiwei, W., 2014. China Model Not Only Develops China but Also Benefits the World. *People 's Daily*.
- Zhang, A., 1993. *Poverty Alleviation in China: Commitment, Policies and Expenditures*, s.l.: UNDP.

Chapter -4

21st Century Global Order

Factors Behind Change

1. Introduction and Background

Two major events in the beginning of 21st century that brought about change in the global structure and later played a fast-track role in reshaping the global order are: 9/11 attacks on the US, and China's accession to World Trade Organization. The first event antagonized USA and triggered war on terror. USA along with its allies led the war on perceived terrorists while Afghanistan became the host of war (Thimm 2018). The second event opened the world doors for China integrating the country into global system and paving the way for its rise (Li & Tu 2018).

These events were followed by 2007-08 financial crisis that had also jolted the global economic order, but soon the economies came back on track with varying degrees. Financial crisis also introduced some new players (China, India, Turkey, South Africa among others) on global stage (Woods 2010).

Now, the outbreak of COVID-19 across the world has exposed the weaknesses of global governance structure on the one hand and on the other selfishness behind the slogan of solidarity and human rights. At this point of time, the US, which used to be a generous global partner, is giving no heed to the needs of world community, and is following the strategy of 'America First' (Clausing 2020). The EU did not help Italy in such testing

times, and even France and Germany put conditionalities on the export of medical supplies and products. All these events created a web (Fig-1) which has grappled the world and accelerated the process of change.



In addition, a good number of other issues continued to haunt the world and accelerated the process of change. The world has failed to achieve Millennium Development Goals; WTO negotiations are stand still; the champions of global order are backtracking; and forums like the EU are under threat of survival. Climate change is another global phenomenon, which is causing resource constraint. It has turned to be an existential threat to planet earth and human beings (Cherkaoui 2020).

These events are heralding a new wave of globalization. Since, globalization is regarded as an inevitable economic, social and cultural trend of the previous century, however, there is no clear picture available which can suggest the structure of future global order (Allen-Handy et al. 2020). There is a huge research gap to identify the future dimensions and roles of players. This policy review aims to contribute to bridge the gap and analyze the process of change, actors of change, and new global order.

2. Leading Factors of Change

There can be many events, problems or developments, but we have selected four major factors. The analysis includes the following two major events, and two problems.

1. War on Terror
2. Accession of China to WTO
3. Financial Crisis-2008
4. COVID-19

2.1. War on Terror

Masco (2013) states that 9/11 led to rampant war on terror. United States of America led the coalition of world leading countries to punish the designated culprits. The US option “with us or against us” left no space for choices. It also did not allow the world to look for real culprits or use any other instrument to punish the culprits. USA with the support of partners attacked Afghanistan, with the wrath of its supremacy in arms and power. On other side of the field was one of the weakest nations. It was announced that the war will be over within days and there will be new order of peace, development and stability under the auspices of USA, allies and United Nations.

Unfortunately, the war prolonged and continued to engage other countries and regions in one or the other pretext. Iraq was next on the list where it was not only limited to destruction but also to change of regimes, especially capitalizing on Arab spring. A dual strategy was adopted to punish the countries: 1) practical war 2) economic sanctions. On practical front, Afghanistan, Iraq, Syria and Libya were attacked whereas on economic front, Iran, North Korea, Venezuela, Cuba, Russia, etc. were the victims (*ibid*).

Watson Institute of International and Public Affairs at Brown University suggested that the war on terror could not deliver the desired results of USA and allies, rather it inflicted huge losses on the participating countries. It was estimated that the war on terror inflicted a global loss of US\$ 6.4 trillion. The war claimed 800,000 lives, including 335000 civilians (independent sources do not agree on it, as they predict millions of people lost their lives). It also compelled 21 million people to be refugees or internally displaced persons in Pakistan, Iraq and Afghanistan.

The US will have to pay US\$ 8 trillion in next 40 years as interest in the backdrop of war barrowing.

The cost of war would be increased exponential if we calculate the injured and permanently disabled people. The societies will have to bear cost for long run. Although all countries share a burden, the host countries are the major victim. For example, Afghanistan and Iraq have hundreds of thousands of people injured or permanently disabled. These countries do not have required resources to take care of them. Therefore, they look towards the US and partners, but the US and allies only invested US\$ 199 billion during the last 20 years. The major chunk of these resources was spent on armed services and less was available for human development and services (Masco 2013).

Despite all these costs and difficulties, there is no end in sight to this war of terror. Although, the US has struck a deal with Taliban, the world will have to wait for complete ceasefire and how Afghan leadership tackle the issue (Saxena et al. 2020)

It also resulted in poverty and joblessness. similarly, the war on terror also undermined the US ability to invest on other sectors like health, education and clean energy. It has been predicted these sectors produce more jobs as compared to defence. US\$ 1 billion spent on these sectors may create 17,200 jobs in health, 16,800 in energy, and 26,700 in education against 11,200 jobs in military (Masco 2013).

Above all, this war has shaken the confidence and strength of USA at global level. The impact of war on economy and human beings has compelled the US to follow the slogan of “America First”. USA is backtracking from its international commitments and even is busy to undermine the organizations like NATO, UN, etc. which it created itself. President Donald Trump has openly questioned the need of NATO and the role USA.

2.2. Accession of China to WTO

The second most important event was accession of China to WTO. It has opened the world markets for China. Yuan (2015) mentioned that the

timing of accession was perfect for China due to two factors, 1) China adopted the strategy to go global, 2) US and allies were busy in war on terror. Accession to WTO helped China to materialize its dream of go global and contribute to global system. The total volume of Chinese economy at that time was US\$ 1.3 trillion and was on 6th place. The total trade at that time was US\$ 0.51 trillion and again it was on 6th place at global level. Owing to continuous efforts and hard work, China is now second largest economy with a total GDP of US\$ 14.14 trillion (Silver 2020). It is the sole biggest trade partner of the world with a total trade US\$ 4.6 trillion in 2019 (Xinhua 2020).

The accession also opened a market of more than one billion people for the world. It helped many countries to establish their businesses in China and benefit from the market size and business skills. Now, China is home to almost all big names of businesses - like Apple, GM Motors, BMW, IBM, and many others. It has converted China into a world factory. China is now moving slowly towards achieving the status of world laboratory.

The China's accession to WTO helped it change its destiny. Now, China wants to reciprocate and share its fortune with the world by launching big initiatives like the Belt and Route Initiative (BRI). BRI is a US\$ 8-9 trillion programme of infrastructure, energy and economic development. So far, the China has launched six corridors under the BRI. After 2018, China shifted its focus to on imports and created China International Import Expo forum. The prime goal of the forum is to increase imports and create integration with all countries (China International Import Expo 2020)

Economic development and greater linkages with world turned China into a staunch supporter of global system. Speaking at World Economic Forum in 2017, President Xi Jinping reaffirmed the China's commitment to global order (Parker 2017). China has also adopted Paris Agreement on Climate Change to show its commitment to good environment. It has diverted substantial resources to fight climate change and improve environment. It has coined new terms of Eco-civilization, and shared prosperity to show its commitments for development and environment. It is putting focus on development and creating economic linkages to solve the problems. It considers development a key to sustainable peace.

We can conclude that the linkages with global economy through WTO helped China to change its economic status. Linkages also helped China to change its role and play a more important and multi-dimensional role at global stage.

2.3. 2007-08 Financial Crisis

The 2007-08 financial crisis was another watershed moment for USA and rest of world. USA was busy in “war on terror” and was stuck with financial crises. It crippled the financial sector, market and economy of USA and rest of the world. Stock markets and financial institutions were worst hit with a loss of US\$ 8 trillion. It also impacted individual wealth. On global economy, its impact was of US\$ 2 trillion, which constituted 4 per cent of the global GDP. Global community became united, G-20 intervened and pledged a package of US\$ 5 trillion and also asked IMF to contribute an additional money of about US\$ 1 trillion (Merle 2018). USA also offered a specific bailout package of US\$ 700 billion (Amadeo 2019). Although the USA was successful to avert the worst impact and its economy started recovering, the main reason was that USA had the leverage at that time to print money. Being the reference money for world, it was able to absorb the shock. Moreover, it also played with interest rate, which contributed to lower the impact.

However, the most interesting part of the crisis was that China helped the world and tried to give support to countries. Its inclusion in WTO also helped countries to build economic linkages with China. It was first time in modern history that China played a role at global level to avert the crisis. It led a new precedent that China is a global player of substantial weight and importance. Countries started to invest in China and put efforts to build strong relation with China.

Financial crisis culminated with the emergence of China as new destination of trade and economy. It also sown the seeds for the slogan “America First” slogan on which President Trump built his election campaign (Huang & Young 2013).

2.4. COVID-19

COVID-19 is another area which has shook the whole world systems. The world is struggling to overcome the pandemic, but with limited success. People are dying across the world, especially in Europe and USA. Presently, there is no plausible solution. The situation is so complicated that every person and country is confused about the course of action.

Unfortunately, in these testing times, the world leaders and countries do not agree to work jointly that has further fractured the system. USA, the traditional leader, which always took responsibility to fight back global challenges has backed out. Instead of forging cooperation, it is busy in blame game against China. Despite the negative propaganda, China is helping the world including the US to fight the COVID-19 pandemic. Chinese companies like Alibaba are also helping countries across the world. Moreover, USA also ban export of masks and medical equipment to Canada, which is hampering efforts of Canada to fight COVID-19. Canadian Prime Minister termed it unfortunate and warned of negative consequences (Forrest 2020).

The European Union is also not acting according to its strengths and promised goals. Many European countries are unhappy with the EU. Italy, the most impacted country, has failed to attract the fellow countries to help her in the time of need. Despite repeated requests, the EU did not help Italy. Serbia also criticized the EU and calling it a fake solidarity organization.

Experts and many world leaders believe that the world will be different after COVID-19 and there would be a re-arrangement of order and players at global level.

3. Future of Global Order

Uncertainty is a keyword to describe the present situation. The established players have been weakened by series of negative implications of successive events. USA and Western countries' economic strength is under question. They are losing their unchallenged supremacy. New players like China, are emerging and getting prominence. China is second

to USA and has challenged the supremacy of USA in the areas of diplomacy, military and economy. USA has started feeling the heat and launched an all-out strategy to counter China. by using tools of negative propaganda, creating trade barriers, putting restrictions on technological development, and undermining the overall role of China.

A new competition, if not war, has been started between existing and emerging powers. The champions and beneficiaries of globalization have started acting against the spirit of globalization. The emerging powers like China becomes the proponents of system and are making all efforts to save it. The game has become very interesting and complicated. Experts and common citizens have started questioning the future of globalization. The most pertinent question is, will globalization survive?

Our analysis shows that globalization will survive the shocks, but the outlook of system will change. There are three important areas which give us hope for the survival of system and globalization;

1. **Technological Advancement:** Human race has achieved marvelous successes on technological front. We are living in the most advanced stage of technology development of human history. It is getting more sophisticated with every passing day. Humans have conquered the space and Mars. Technology has started culminating into most advanced forms of communication, destruction, control, development and connectivity. The world has started becoming the global village on back of technological revolution. The dawn of 21st century saw a new era of revolution in the field of technology and it has dominated all fields of life, society, security and economy.

Communication has become easy and accessible. The connectivity has turned the world into global village. We can talk to anyone at anytime from anywhere within seconds. Facebook, WeChat, WhatsApp has changed the meanings of connectivity at individual level. Technology has also made it impossible to hide any event or news. Digital diplomacy has limited the choice for countries to live in silos and connectivity has made it impossible to backtrack. Moreover, systems of business, economy and

security have also become highly interconnected. Therefore, we conclude that technological evolution will help to sustain the globalization.

2. **Climate Change:** Although, discussion on climate change was going on from the last two decades of 20th century, but events of 21st century gave entirely new dimension. For last two decades, it has dominated the debate, discussion and negotiations. Climate change appeared as an existential threat to planet earth. It has multi-dimensional impacts. It is triggering migration across the world and World Bank has estimated that it will force 143 million to migrate till 2050. Moreover, it will also push 100 million into poverty (World Bank 2019). The world needs US\$ 90 trillion to build climate resilient infrastructure and economies (World Bank 2019). There would be a loss of GDP across the world as well, but it would be un-equal. Africa will face a loss of 4.7 per cent, Latin America 3.8 per cent, Middle East 3.7 per cent, Eastern Europe 3 per cent, Asia Pacific 2.6 per cent, Western Europe 1.7 per cent and North America 1.1 per cent (Climate Change 2019).

Climate change related disasters are also increasing with alarming speed (Wahlstrom & Guha-Sapir 2015). Floods and droughts are becoming common phenomena for few years. Heatwaves are now the regular visitor. It has started to kill people all over the world. Wildfires due to higher temperature is another side of the problem.

Climate change is also triggering violence and conflicts across the world. The most recent examples are Syria, Yemen, South Sudan, etc. It is pushing people to fight over scarce resources. It has been predicted by different sources that problem would be aggravated.

Despite all these factors, the world especially the developing countries, are not moving quickly enough to combat the challenge. The global system has failed to contribute. The pressure to act is mounting, as choices are becoming limited with every passing day. Unfortunately, still countries are not willing to act. They are preferring to leave the global system instead of acting with force. The prominent example is USA, it has separated itself from the

Paris Agreement on Climate Change. Many countries have adopted it but are not fulfilling their commitments. Although in past China was criticized for environmental degradation, but now China is trying to champion the cause. It has adopted Paris Agreement and urging other countries.

Although, the response of countries is mixed, but one thing is for sure that climate change will continue to shape up the future course of action and economies. The business as usual approach will change. Energy, being the biggest source of climate change will observe a shift. The world will have to move from fossil fuels to renewable sources of energy for developing a climate compatible development model. Ultimately, the world will have to learn how to tackle the issue of climate change

3. **Pandemics:** During first two decades, the world witnessed break-out of four major epidemics, i.e. SARS, MERS, Ebola and COVID-19. First, three epidemics were fought together. Countries forge partnerships to control these epidemics. Unfortunately, COVID-19 could not convince countries to cooperate. Although, COVID-19 is showing that cooperation would be only way to combat the pandemics, countries are acting in another dimension. Nevertheless, it is fortunate that many countries started to cooperate and helping other. The results of cooperation are very encouraging. The world also realizes that the cooperation can only be ensured through global order and established global institutions.

These three factors will compel the world to sustain global order. Hence, we are certain that globalization or global order is here to stay. However, the change is unavoidable. The rise of China is inevitable. China has already started showing the glimpse of its future role. It has started taking lead at numerous global platforms. China has adopted a multi-pronged strategy to engage and sustain its role according to emerging needs (fig-2).



However, the most important change is, change in behavior and attitude of China. It has moved away from its policy of self-restraint. Now, it does not shy to engage in “tit-for-tat” encounter. The new strategy is changing the rules of game and accelerating the process of change.

4. What's Next?

The recent events suggest that China and USA will engage in a furious competition to secure their positions and interests at global level, which will affect the global order and individual countries. It will put pressure on countries to take a side; especially the developing and least developed countries would be under more pressure. The signs of competition and pressure are already visible. For example, US Secretary of State Mike Pompeo is aggressively pursuing its allies to contain their cooperation with China. He has asked EU countries, UK and others not to allow Huawei to venture in 5-G infrastructure. USA is also pressurizing countries not to join BRI. Pakistan is also under immense pressure to walk out from CPEC. Though, China is not sitting idle or shying to reply. It has openly asked USA to behave according to global norms and stop interfering in China's business.

On the basis of these facts, we have developed three scenarios.

1. Scenario-1: Competition
2. Scenario-2: Systematic Rivalry
3. Scenario-3: Cooperation-Shared Future

Scenario-1	Scenario-2	Scenario-3
<ul style="list-style-type: none"> • Country first, • Rise of strong man • Trade wars • Disruption 	<ul style="list-style-type: none"> • Border closure • Game of traps • Conflict • War 	<ul style="list-style-type: none"> • Pooling of resources • Re-arrangement • Prosperity

4.1. Scenario-1: Competition

The elements of scenario-1 are already visible. Country first slogan is getting momentum. Some countries have adopted it openly while others are pursuing it silently or with sugar coated words. President Trump won the election by raising slogan of “America First”. Many European countries are also observing the same phenomena. Germany is witnessing the rise of Nazi like party. Migration has become severe problem in Europe and USA.

Nationalism is another form of country first strategy. It has given birth to so called strong man version of political leaders. We have witnessed the rise strong men across the world. Strong men are trying to suppress dissident voices and minorities of their countries. It is giving rise to violation of human rights like in India, which has lockdown whole Indian occupied Kashmir. It seems one by one every country will fall in trap and no country would be able to save herself from these two categories. The rise of strong man and country first approach has introduced many problems for world. The most prominent problem is ruthless pursuance of national interest and manipulating economies to get the maximum share of cake.

It is leading to failure of institutions and initiatives with global relevance and status. In recent times, the world has witnessed failure of MDGs, WTO, etc. Many initiatives have been going through difficult choices like

SDGs or security arrangements (NATO, UN Security Council, etc.). SDGs were pitched as solution to world problems, with slogan of No One Left Behind". In reality, it has all elements of solution. Unfortunately, the world could not move forward from rhetoric to practice. UNFCCC process has also been halted and there is very little progress for many years. Although everyone know that climate change is an existential threat, but no one is ready to take serious steps. Blame game is on and everyone is asking others to take first step (UN News 2019).

Trade war is another problem which has grappled the world. USA is taking lead on it and other countries are following it. It is hurting countries all over the world, especially the consumers of American markets. It is also severely impacting the world growth (World Bank Group 2020). International and national institutions are suggesting governments to avoid it, but no country is ready to listen to it.

Besides, the competition is also hampering any effort to forge cooperation even for development and fight the sever problems of climate change and pandemic. The outbreak of COVID-19 was exploited and was used by USA to criticize and contain the China. China was looking for cooperation but with limited success. Lack of cooperation has hurt China, and now the whole world is bearing the brunt. USA is bearing the major loss and criticism now.

These elements have started disrupting the global order. We can clearly see the division and grouping of countries. This scenario is quite harmful for the world. It is predicted that it will increase problems like poverty, food insecurity, non-availability of healthy environment, etc. The early signs are here, for example, food insecurity has started to rise again. Therefore, the world should try to come out of it and look for better alternatives.

Although the situation demands cooperation and positive competition, the world is not giving head to it. It is expected that the world will go for short-term disruption, as countries will continue to pursue national interests at any cost. Next 5-10 years will be important on this front. There would be two possible outcomes: 1) these years can contribute to systematic rivalry to further disrupt the system, 2) these years can contribute to create

awareness about the need of cooperation and lay foundation for peaceful re-arrangement of global order.

4.2. Scenario-2: Systematic Rivalry

The scenario-2 would be more dangerous and impacts would be devastating and lasting. Although, the impacts are not so visible, but the signs are very much here. West has already stigmatized Muslim countries on the issue of terrorism. Islam has been taken as systematic rival to Western Liberal Democratic system. Muslim countries and Muslims are facing problems throughout the world. Many countries have been attacked and many others were targeted in the name of human rights. Regime change has become a favorite tool.

The discriminatory behavior against Muslims is expanding to other faiths and countries. It also has given rise to ultra-right political parties in West, which are even intolerant to their regional countries. European Union is major victim of this wave of hate and discrimination. Many right wing countries have started to advocate the disintegration of EU and erect walls. The closure of borders seems to be very practical. Migration and refugee crises have already exposed the human right defendant and champions among the liberal democratic world. A wave of hate is on, especially in developed countries. Migration and acceptance of refugees has become major subject of debate and election. It is disturbing to note that many EU countries have practically closed their borders. Even, USA has erected a wall to stop migration from Mexico.

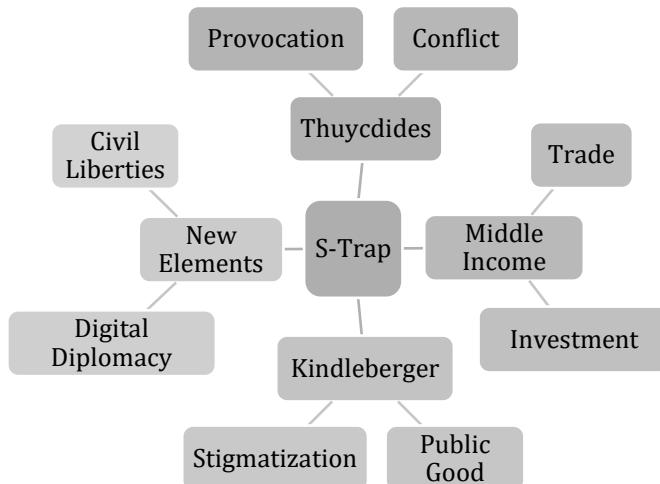
It seems the phenomena will not stop here; it will spread across the world. Presently, Europe and USA are hotspot but in future the hotspot can be shifted to Asia. The reason is, at present, Europe and USA are rich countries, but in future China and some other Asian countries would be rich. Therefore, it is expected that migrants and refugees will move towards new destinations in Asia. It will test the commitment of new players of global order.

Another form of border closure would be ban on trade. The first step on this front is already in game. Many countries are fighting all-out trade

wars. If the trade issues are not solved, these will ultimately lead towards strict measures and even closer of borders. The speed with which USA and China are moving on trade front, it seems that closure of borders is very close.

Moreover, countries are also busy to apply different traps to undermine or control the other countries. Thucydides, Middle Income, Kindleberger and now S-Trap all are in market. S-Trap is new and most interesting one. It has designed to capture all dimensions and use the new instruments like technology, human rights and civil liberties. The first application was on Muslim countries and now USA is using it to contain China for some time. The application of S-Trap has aggravated the situation and two countries have become more aggressive to counter each other. USA and China have now entered into “systematic rivalry” putting all efforts to undermine each other at any cost.

The systematic rivalry has started to hurt global order and individual countries. IMF, in 2019, predicted that USA and China trade war will cost US\$ 700 billion at global level, which means 8 per cent loss to global GDP growth (Georgieva 2019).



USA is not the only country which take China as systematic rival, whereas EU in 2019 also declared China a systematic rival (Burchard 2019). It has

antagonized China and China reacted strongly but with certain control. USA and Western countries also punishing allies of China like Venezuela, North Korea, Pakistan, etc. Owing to rivalry with China, China-Pakistan Economic Corridor has become the target of malicious campaigns. India also joined hands with USA to malign CPEC and China. FATF has been mobilized to contain Pakistan's efforts to implement CPEC. International Financial Institutions are also playing their role to hinder implementation of CPEC (Câmpeanu 2019).

USA has also started to target Turkey, Mexico, Japan, South Korea and many allies. Russia is already on the hit list and in recent times the focus has increased. USA is pushing them to engage on terms and conditions devised by USA. These all actions are part of systematic rivalry strategy and S-Trap.

It is becoming clearer now that these strategies will lead toward conflicts. It will drag economy, development and technology into conflict and will hinder the development of humanity. Technology has already become a battle ground. USA is putting all its efforts to malign Huawei and its 5-G technology. It has launched an all-out campaign against it. It is pursuing all countries to ban Huawei from venturing in 5-G infrastructure. President Trump and Secretary of State Mr. Pompeo themselves are leading the campaign. The companies like Alibaba has also started to attract attention, as these companies are challenging the hegemony of American and Western companies. Alibaba is giving real time competition to e-commerce companies. It is now a reliable name at global level.

It is feared that if the conflicts are not contained at this point of time it will be disastrous for world order. The conflicts will weaken the global order, which may culminate into war. The cost of war would be beyond the imagination of anyone. It will destroy the planet earth, and no one would be here to secure the national interest. The ultimate loser would be humanity, planet earth and its stakeholders, i.e. the masses.

4.3. Scenario-3: Shared Future

The third scenario is more optimistic. It is built with the assumption that human will act responsibly and will devise rational policies of engagement. Although, the phrase “shared future” is borrowed from the President Xi Jinping’s vision but it has global relevance. The third scenario also has taken into consideration the important lessons from scenario - 1&2. It also considers the importance of three areas: technology, climate change and pandemics, which establish the need for cooperation. In nutshell, the third scenario is built on;

1. The relevance and importance of technology, climate change and pandemics
2. Scenario-1
3. Scenario-2

The need for cooperation has already been established. As we discussed above the three factors of cooperation namely technology, climate change and pandemics. However, the question is how to get it? What instruments should be applied?

The above discussion points out that the first intervention to secure the “shared future” would be to reform the existing systems of global order. The most important areas of work would be;

1. Economic System
2. Governance System
3. Security System

4.3.1. Economic System

Under international economic system, wealth has been concentrated in few hands. Globally, few countries own maximum resources of the world. A report of US congress research shows that G-20 countries account for 85 per cent of economic output and 75 per cent of the world trade (Nelson 2019). The division of economic fortune within G-20 countries is also unequal. USA and China dominate the major chunk of economic wealth.

Likewise, domestic level distribution of wealth and resources is also very biased in favor of few people (World Population Review 2020). Brookings highlighted that in the USA, top 1 per cent owns 29 per cent wealth (Sawhill & Pulliam 2019). The major culprit for un-equal distribution of wealth is interest system (Riba), which led to wealth accumulation in few hands and let others to suffer.

The wealth in-equality is a critical element, as it determines the power structure of global and domestic institutions. Globally, rich countries dictate agenda and at domestic level rich people take the driving seat.

The flaws in economic system has also disrupted the world peace through resource wars and callous competition to secure maximum share. Countries are blindly following their economic interests, without caring much about human rights and planet requirements. The founder of Pakistan clearly mentioned that Western economic system cannot fulfil the dream of equality and happiness. He even went to say that the world war I and II were the results of inequalities of Western Economic System. We can find the same results in present-day world. It also damaged the rights of planet earth. Climate change is the outcome of liberal model of development which worked on increasing demand of unnecessary things and maximize profit.

Therefore, there is a need to change the existing system of economy in line with the principles of inclusiveness, humanity and respect for planet earth. We propose following reforms;

1. The entry point to reform system should be to work on elimination of Riba and promote the model of partnership. The partnerships will help to reduce the chances of accumulation of wealth and pooling of resources (financial and human) for productive outputs. It will also discourage depositing money and encourage circulation of money. The circulation of money will create new opportunities for business and jobs. It will help to tackle the issue of in-equality and poverty.
2. The second step should be to come out of strategic or systematic rivalry mind set. Countries should learn to cooperate or at least

stop opposing each other on economic interests. The practical step can be taken by creating different initiatives by countries. The starting point can be pooling resources from Belt and Route Initiative (BRI), Better Utilization of Investments Leading to Development (BUILD), by USA, Asia-Africa Growth Corridor (AAGC) by Japan and India, Middle Corridor, by Turkey, Eurasia economic development by Russia, Trans-Atlantic Trade and Investment Partnership (TTIP) and Trans-Pacific Partnership (TPP), etc. Secretary General of OECD, also called for more coordinated efforts and think about Marshall Plan like initiative (Organisation for Economic Co-operation and Development 2020). The proposed initiative, BRI+ can go beyond the Marshall plan and can take the development and prosperity of world at next level.

3. Third step would be to change the balance of private sector and state-owned enterprises (SOEs). Government needs to increase non-tax revenue, which is needed to take care of citizens.
4. Fourth, there should be respect for international institutions.
5. Lastly, the system should shift its focus from profit to human and planet rights. It will pave the way for equality and sustainability of sound and health environment

4.3.2. Governance

The global governance system is also exclusive and mainly focus on economic interest of few countries. The result has been deduced by analyzing the structures of international institutions from all fields like United Nations, International Economic and Financial Institutions, etc. These all are exclusive in nature and cater for needs of few global players. The decision making at UN is finalized at the platform of Security Council, which comprises of only of five members. These countries have veto power to take any decision or decide anything, which they think is required or right. The individual member can also veto any proposal or decision, no matter if whole world is on other side. Similarly, most of the international

economic and financial institutions also present the same picture. For Example, World Bank and IMF cannot make any major decision without the approval of USA, because it enjoys the maximum votes. The so-called consensus-based forums or institutions are also not delivering like WTO or UNFCCC, etc.

Global system is also facing problems from the multiple regional and small groups. Some of these groups are extremely powerful e.g. G-7, G-20, OECD and European Union etc. These groups use their economic weight and technological lead to dictate the decision making. It has been observed that the decision made at these forums, most of time are implemented at global level. Millennium Development Goals (MDGs), which were drafted to promote development faced criticism from many countries, as they think it was developed by an elite group of donors.

Therefore, for meaningful, objective oriented and equality based global order, there is need of reforms in governance structure. We suggest following reforms;

1. The process of reform should be started from UNs, as UN being is the biggest platform. It has outreach to each and every aspect of life and society. The point of entry should be UN Security Council, as it is most powerful organ of UNs system. The excessive power of members of Security Council must be curtailed or suspended at all. The ideal situation would be to eliminate the country-based membership and it should be replaced by a new system. One plausible option can be to establish regional chapters on the basis of population not economic or military strength. These groups should be given veto power.
2. Second, International Economic and Financial Institutions should be made more inclusive by eliminating the discriminatory privileges. Presently, USA and Western countries enjoys more voting power and dictate their terms and conditions. Most of time they twist system in their favor. The voting power of countries should be reassessed and redistributed among countries. There is need to move decision making away from profit and make it more human centric. Therefore, we strongly suggest to change the

voting formula of IMF and World Bank and decision-making process. The design of these institutions should also be changed according to needs of human agenda like Sustainable Development Goals (SDGs), UNFCCC etc.

3. Lastly, the role and decision-making power of regional and small groups should be curtailed. Small groups create disturbance among the majority of countries.

4.3.3. Security Order

The security has been a determinantal factor for centuries. Empires always tried to create a system which suites to their interests. Present-day empire also follows the suit. USA, and other partners like USSR and allies, after World War-2 erected a security system, which cater their needs. The elements of system ensure hegemony of few, power struggle among big boys and no-voices of poor countries. The UN Security Council institutionalized the hegemony of few countries. It successfully excluded majority and power concentrated in five hands. However, UN Security Council members also started wars of interest among themselves, which led to division of world in different groups. It led to start of cold war, which culminated with the disintegration of USSR. The worst outcome of this system is alliances and marginalization of majority of countries.

Alliance building has been a key strategy of present system. USA and allies erected many alliances since 1945 onward. It has been advocated that the alliances are being built to secure the peace of world. However, in reality it created hegemony and destroyed many countries. The most prominent example is disintegration of USSR. Many poor countries also became victim of this like Afghanistan, Iran, Iraq Libya, etc. These alliances not only use military power but also use economic power to punish countries. For that purpose, specialized institutions have been built like IMF, FATF etc. For example, FATF has been in use against Pakistan for few months. It is another way to stop implementing CPEC and compel Pakistan to look toward Western countries.

The genesis of alliance clearly points out that it is a contested strategy. To build an alliance you need an enemy, which means start of conflict. In recent times, China advocated a new system of working, “partnership” building. It is good strategy, but it also gives some sense of insecurity to outsiders.

Therefore, we suggest there is need to move away from both policies, alliance and partnership, move toward more plausible model. The new model can be built around the concept of “common security”. It will help to lower the insecurities and give space to countries to work on economy and development.

To achieve the objectives, a comprehensive and visionary reforms package is needed. The reforms should not be business-oriented as usual. It should not follow the past tradition of passing mantle from one empire to other empire. Hence, we suggest:

1. The new structure of security arrangement must be wider, and no country should have individual veto power. First of all, the veto system should be abandoned or expand it. It will help to lessen the influence of individual countries and pave a way for cooperation.
2. Second, military spending must be curtailed bringing it to the minimum level.
3. Third, the definition of security should be expanded to non-traditional areas like food, water, energy etc. These areas should get the maximum prominence. The resource allocation for these areas should be prioritized.

These steps are very important to create peaceful societies and world. Countries need to understand power is not permanent. It frequently changes hands. So, countries should learn to live peacefully.

5. Conclusion

The process of change has been accelerated. The existing superpower (USA) and its western allies have shuffled their cards on the table to

contain China and emerging economies. USA is also trying to apply non-traditional instruments of containment like civil liberties and digital diplomacy.

However, it seems that the change is inevitable. China will take the central stage in coming years whereas USA cannot contain China since the traditional tools of US dominance are losing strength. Traditionally, the US relies on its diplomatic, economic and military strength while on diplomatic front, it has met defeat on certain issues, including general assembly vote on the capital of Israel, etc. Economic might is also on the decline and has been challenged by China. China is on way to surpass the USA.

COVID-19 has further depleted the resources and exposed the economic strength. In past, the USA avoided crises by printing money or lowering interest rate. Unfortunately, at this point of time both options have been exhausted. The yield of Fed bonds has entered into negative zone and it has been predicted that it will be there for longer period. It is a sign of weakness, which will lower the confidence of investor. It will hamper the economy in long run (Bourgi 2020). The European countries are also facing this problem for some time. On the contrary, the bond yield of China is positive, and it has strength for longer period of time. China also enjoys good economic indicators at national and global levels. It is the largest world trader. It is also emerging as powerhouse in technology beating the USA and Western countries in the field of 5G, AI, Quantum Computing, etc. (Cox 2020).

Hence, it is certain that the world will undergo another period of change. It must be understood by the existing and emerging powers that nothing is permanent except change. Therefore, both powers should work for peaceful transition and try to avoid conflict. The conflict will not serve any power, rather it will create problems for both and rest of world. History is full of examples, where emerging and existing powers and world as whole suffered.

Fortunately, the present emerging power is showing restraint to a larger extent and is trying to avoid conflict. It has successfully avoided conflict on multiple occasions like Hainan incident, South China Sea and Taiwan

are few among them. However, recently China show some glimpse of its retaliation, especially in cyber space, particularly in the case of COVID-19. Therefore, we can expect that in future China may will become more aggressive. It would not be good strategy and outcome would be dangerous for everyone.

Hence, we suggest that China should show more restraint in future and try to avoid conflicts. It should focus on delivering on economic, development, social and peace fronts and try to create a community of shared future. China should divert more attention to its initiatives like BRI, Shanghai Cooperation Organization (SCO), Asian Infrastructure Investment Bank (AIIB), China International Import Expo (CIIE), etc. to make them successful. On security front, China needs to put efforts to build the framework of common security. It should not fall in trap of confrontation.

Lastly, China should also take lead role to forge partnerships to implement its reforms agenda that has been discussed under the third scenario. Partnerships will help avoid conflicts and ensure a peaceful transition. It will also build image of China, as a reliable partner and global player.

6. Recommendations

The global order is need of the hour. The problems like climate change and pandemics reinforce the importance and relevance of technological developments. So, we can conclude that global system is here to stay. However, there will be a definite and certain power shift from north to south with the rise of China as a ‘superpower’. Therefore, world needs to work out a strategy of peaceful transition of global order. It is recommended that:

1. World leaders need to sit together and devise tools of cooperation, because reforms cannot be done without cooperation
2. The reform agenda should be, and must be human and planet centric, economic and strategic interests must subordinate to human and planet interests.

3. All countries need to come out of self-glory or greatness syndrome, it will not help anyone.
4. China and USA need to devise tools of mutual benefit and avoid confrontation at all levels.
5. USA needs to understand that its hegemony cannot sustain anymore, and change is inevitable, therefore, it needs to re-adjust its policies, plans and future actions.
6. China needs to continue to observe constraint and avoid conflict because it is necessary for sustainable development and the world peace.
7. China also needs to devise a strategy to avoid possible trap of “praise” which will lead to another trap “the arrogance” and continue to work by building partnerships.
8. The global agenda should revolve around the concepts of “Shared Future”, “Shared Prosperity”, “Common Security” “Human Dignity” and “No One Left Behind”

References

1. Allen-Handy, A, Thomas-EL, SL and Sung, KK 2020, 'Urban Youth Scholars: Cultivating Critical Global Leadership Development through Youth-Led Justice-Oriented Research', *The Urban Review*, Springer, viewed 31 March 2020 <https://link.springer.com/article/10.1007/s11256-020-00568-w>
2. Amadeo, K 2019, 'What Was the Bank Bailout Bill?' *The Balance*, viewed 22 March 2020 <https://www.thebalance.com/what-was-the-bank-bailout-bill-3305675>
3. Bourgi, S 2020, 'Apocalypse Now: U.S. Treasury Bond Yields Now Have Negative Rates' Caribbean Communications Networ (CCN), viewed 25 March 2020 <https://www.ccn.com/apocalypse-now-u-s-treasury-bond-yields-now-have-negative-rates/>
4. Burchard, HVD 2019, 'EU slams China as 'systemic rival' as trade tension rises' *Politico*, viewed 15 March 2020 <https://www.politico.eu/article/eu-slams-china-as-systemic-rival-as-trade-tension-rises/>
5. Câmpeanu, V 2019, 'Eu-China. A Strategic Outlook with Significant Changes', *Euroinfo*, vol. 3, no. 3, pp.3-17, viewed 23 March 2020 <https://ec.europa.eu/commission/sites/beta-political/files/communication-eu-china-a-strategic-outlook.pdf>
6. Cherkaoui, M 2020, '*The Shifting Geopolitics of Coronavirus and the Demise of Neoliberalism – (Part 2)*', Aljazeera Centre for Studies, viewed 25 March 2020 https://studies.aljazeera.net/sites/default/files/articles/documents/2020-03/The%20Shifting%20Geopolitics%20of%20Coronavirus%20and%20the%20Demise%20of%20Neoliberalism%20%E2%80%93%20%28Part%202%29_0.pdf
7. China International Import Expo, 2020, *Huge Chinese Market with Rapid Growth Of Consumption And Import*, viewed 20 March 2020, <https://www.ciie.org/zbh/en/AboutUs/Inten/>
8. Clausing, K 2020, 'America First' in the time of COVID-19', *The Hill*, viewed 27 March 2020 <https://thehill.com/opinion/national-security/487571-america-first-in-the-time-of-covid-19>
9. Climate impacts 'to cost world US\$7.9 trillion' by 2050 2019,The Strait Times, Nov 20, viewed 20 March 2020

<https://www.straitstimes.com/world/europe/climate-impacts-to-cost-world-us79-trillion-by-2050>

10. Cox, J 2020, *Negative rates come to the US: 1-month and 3-month Treasury bill yields are now below zero*, CNBC, viewed 25 March 2020,
<https://www.cnbc.com/2020/03/25/negative-rates-come-to-the-us-1-month-and-3-month-treasury-bill-yields-are-now-negative.html>
11. Forrest, M 2020, ‘Trudeau warns U.S. against denying exports of medical supplies to Canada’ *Politico*, viewed 4 March 2020
<https://www.politico.com/news/2020/04/03/3m-warns-of-white-house-order-to-stop-exporting-masks-to-canada-163060>
12. Georgieva, K 2019. *Decelerating Growth Calls for Accelerating Action*, Washington: IMF Webcast, viewed 10 March 2020,
<https://www.imf.org/en/News/Articles/2019/10/03/sp100819-AMs2019-Curtain-Raiser>
13. Huang, X & Young, J 2013, ‘China and the World Economy’ *Victoria University of Wellington*, viewed 25 March 2020
https://www.wgtn.ac.nz/chinaresearchcentre/publications/papers/China_and_the_World_Economy.pdf
14. Li, S and Tu, X 2018, ‘Impact of Chinese Characteristics on the World Trade Organization: Challenges and Strategies’, *China & World Economy*, vol. 26, no.2, pp.107-126, viewed 23 March 2020
<https://onlinelibrary.wiley.com/doi/abs/10.1111/cwe.12239>
15. Masco, J 2013, ‘Auditing the war on terror: The Watson Institute's costs of War project’ *American Anthropologist*, viewed 20 March 2020
<https://watson.brown.edu/costsofwar/>
16. Masco, J 2013, ‘Auditing the war on terror: The Watson Institute's costs of War project (Employment Impact)’ *American Anthropologist*, viewed 20 March 2020
<https://watson.brown.edu/costsofwar/costs/economic/economy/employment>
17. Merle, R 2018, ‘A guide to the financial crisis — 10 years later’ *The Washington Post*, viewed 15 March 2020
https://www.washingtonpost.com/business/economy/a-guide-to-the-financial-crisis--10-years-later/2018/09/10/114b76ba-af10-11e8-a20b-5f4f84429666_story.html

18. Nelson, RM 2009, ‘The G-20 and International Economic Cooperation: Background and Implications for Congress’ *DIANE Publishing*, viewed 20 March 2020 <https://fas.org/sgp/crs/row/R40977.pdf>
19. Organisation for Economic Co-operation and Development 2020, *OECD Secretary-General: coronavirus “war” demands joint action*, viewed 28 March 2020 <http://www.oecd.org/newsroom/oecd-secretary-general-coronavirus-war-demands-joint-action.htm>
20. Parker, C 2017, ‘China’s Xi Jinping defends globalization from the Davos stage’ *World Economic Forum*, 18 February 2020 <https://www.weforum.org/agenda/2017/01/chinas-xi-jinping-defends-globalization-from-the-davos-stage/>
21. Sawhill, I V & Pulliam, C 2019, ‘Six Facts about wealth in the United States’ *Brookings*, viewed 16 March 2020 <https://www.brookings.edu/blog/up-front/2019/06/25/six-facts-about-wealth-in-the-united-states/>
22. Saxena, C Bashar, I Basit, A and Siyech, M S and Gunasingham, A 2020, ‘South Asia: Counter Terrorist Trends and Analyses’, *Research Gate*, vol. 12, no. 1, pp. 40-69.
23. Silver, C 2020, ‘The Top 20 Economies in the World: Ranking the Richest Countries in the World’, *Investpedia*, 18 March, viewed 20 March 2020 <https://www.investopedia.com/insights/worlds-top-economies/>
24. The World Bank 2019, ‘Climate Change’ viewed 14 March 2020 <https://www.worldbank.org/en/topic/climatechange/overview>
25. The World Bank 2019, ‘Climate Finance’ viewed 14 March 2020 <https://www.worldbank.org/en/topic/climatefinance>
26. Thimm, J 2018, ‘From exception to normalcy: The United States and the war on terrorism’, *Stiftung Wissenschaft und Politik*, vol. 39, no. 7.
27. UN News 2019, *US-China trade war is a ‘lose-lose’ situation for them and the world, warn UN economists*, viewed 15 March 2020 <https://news.un.org/en/story/2019/11/1050661>
28. Wahlstrom, M & Guha-Sapir, D 2015, ‘*The Human Cost of Weather Related Disasters (1995-2015)*’ *UNISDR*, viewed 23 March 2020 https://www.unisdr.org/files/46796_cop21weatherdisastersreport2015.pdf

29. Woods, N 2010, 'Global governance after the financial crisis: A new multilateralism or the last gasp of the great powers?' *Global Policy*, vol. 1, no.1, pp.51-63.
30. World Bank Group 2020, *Global Economic Prospects: Slow Growth, Policy Challenges*, viewed 19 March 2020
<https://www.worldbank.org/en/publication/global-economic-prospects>
31. World Population Review 2020, *Gini Coefficient By Country 2020*, viewed 20 March 2020 <https://worldpopulationreview.com/countries/gini-coefficient-by-country/>
32. Xinhua 2020, 'Tough 2019 brings out China's resilience in foreign trade' *China.org.cn*, viewed 20 February 2020
http://www.china.org.cn/business/2020-01/15/content_75614046.htm
33. Yuan, Y 2015, 'Looking Back 14 Years after Accession: Case of China. Felszólalás a Third China Round Table on WTO Accessions', Dushanbe, *World Trade Organization*, 2 June 2015, viewed 18 March 2020.

Chapter -5

Road Map for Second Phase of CPEC

1. Introduction

Six years of BRI and CPEC have paved the way for future cooperation and prosperity. Many studies concluded that BRI and CPEC has immense potential for future. It will help to meet the required resources, infrastructure and livelihood opportunities. It will complement the efforts of UN under the umbrella of SDGs. It has many overlapping areas like infrastructure, jobs, trade and livelihood opportunities etc. Therefore, UN is also extending its support to BRI. Secretary General of UNs also attended various meetings of BRI. Though, it has huge potential but sometimes it does not attract the required attention or people mis-understand it. This paper is an attempt to share the relevant data and facts.

2. Situation Analysis

World Bank in 2019, produced a series of reports to analyse the potential impacts of Belt & Route Initiative (BRI), including China-Pakistan Economic Corridor (CPEC). Reports, *Common Transport Infrastructure, A Quantitative Model and Estimates from the Belt and Road Initiative, The Belt and Road Initiative Economic, Poverty and Environmental Impacts, The Belt and Road Initiative Economic, Opportunities and Risks of Transport Corridors*, produced substantial evidence about the potential impact of BRI and CPEC till 2030 (World Bank,2019). These reports used

US\$ 575 billion's investments to analyze and calculate the impacts of BRI and CPEC. Therefore, we can assume that real benefits would be much more as investments related to BRI are over US\$ 8 trillion.

Reports highlighted that 71 countries along the BRI will benefit in terms of GDP increase, welfare affect, trade, FDI and factor return. The most interesting aspect is that Non-BRI countries will also benefit from the gains of BRI related investments. It has been estimated that BRI will reduce travel time by 12 percent along BRI economies and 3 percent in non-BRI economies. Trade will get a boost between 2.7-9.7 percent and 1.7-6.2 percent in BRI and non-BRI countries respectively (*de Soyres, F. Mulabdic A. Ruta, M. 2018*). Real income will observe a boost of 1.2-3.4 percent and 0.7-2.9 percent in BRI and non-BRI countries respectively. Further it was calculated that there will be 1 percent increase in global real income which will be equivalent to US\$ 930 billion in 2014's prices. There is expected increase of 3.4 percent and 2.6 percent in GDP of BRI and non-BRI economies till 2030.

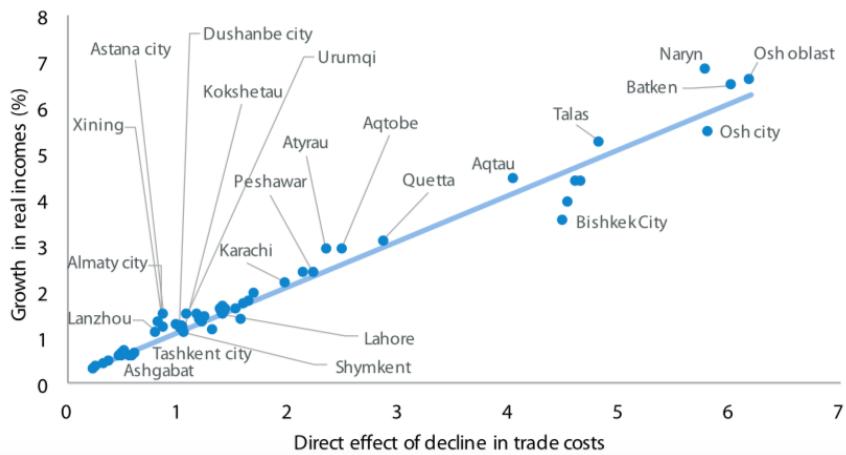
BRI will not only contribute in economic indicators but it will also help to tackle social and development issues. For example, it is expected that BRI investment will help to lift 7.6 million from extreme poverty (1.90 US\$). Further, it will aid to lift 32 million people from moderate poverty (3.20 US\$). Major beneficiaries would be developing countries (4.3 million, extreme poverty, 26.7 million moderate poverty). Return to factors of production will also increase and major beneficiaries would be labor (1.37 percent) (*Maliszewska, M. van der Mensbrugghe D., 2019*).

Reports further reveals that Pakistan would be the biggest beneficiary due to implementation of CPEC. Studies have calculated that Pakistan will get multi-dimensional benefits. First of all, due to infrastructure investment Pakistan's GDP will increase by 6.43 percent till 2030. Reforms in governance like tariffs, ease of doing business and trade facilitation can push the increase to the level of 14.03 percent. Welfare affect would be 5.18 percent and reforms will give further impetus and total increase would be 10.51 percent. It will also help to bring out 1.1 million people out of extreme poverty trap. It has also potential to boost the employment opportunities and it was pointed out that Pakistan can get 4 million jobs.

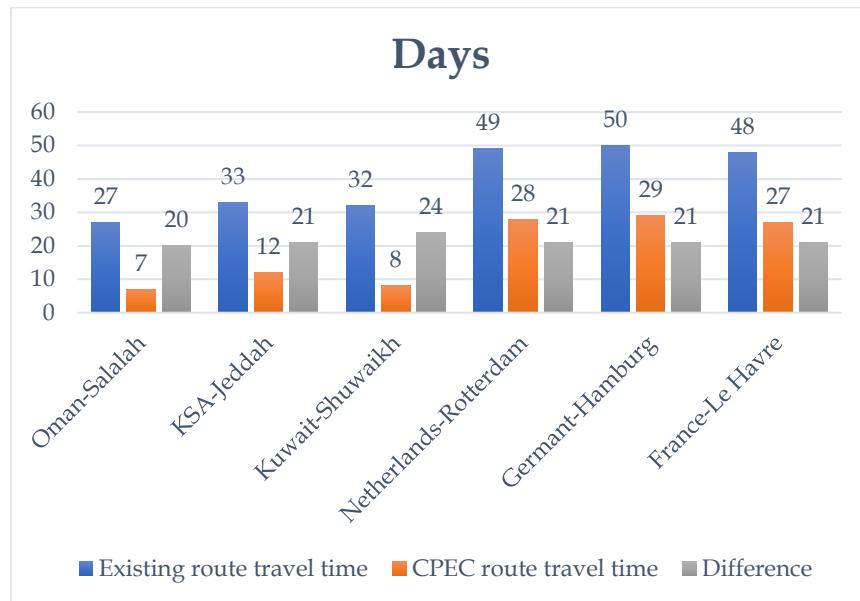
Trade will also witness an increase of 9.8 percent, if Pakistan implement the CPEC and support it by required reforms (WB, 2019).

These projections can be qualified by the current status of gains of CPEC. Pakistan has already witnessed tremendous benefits from CPEC related interventions. Latest figures available tells us that CPEC created 75000 jobs for Pakistanis (China Embassy 2019). It means 75000 families benefited and it helped them to combat poverty. CPEC helped Pakistan to manage the electricity load shedding, which in turn contributed to control the annual loss of US\$ 4-5 billion (Vision 2025, 2015). Vision 2025 also pointed out that it was also undermining the GDP growth rate by 2 percent. It is also contributing to tackle issues of aging plants and infrastructure related to electricity.

Transport infrastructure is another sector which contributed to overcome problems of connectivity. Pakistan was in dire need to rehabilitate and construct new infrastructure. Infrastructure plays a key role in setting the direction of industrial development and trade enhancement. It was highlighted that bad transport infrastructure caused a loss of 4-6 percent to national GDP (Vision 2025, Pakistan). Small and Medium Enterprises (more than 100, CPEC Official Website) also benefited from the investments of CPEC. The contribution of CPEC to national GDP was almost 2 percent. Owing to big push of CPEC Pakistan touched the level of 5.8 percent GDP growth rate in 2018 (Pakistan Economic Survey, 2018-19). World Bank reports further showed that the major beneficiaries in Pakistan in future would be Quetta, Peshawar, Karachi and Lahore respectively.

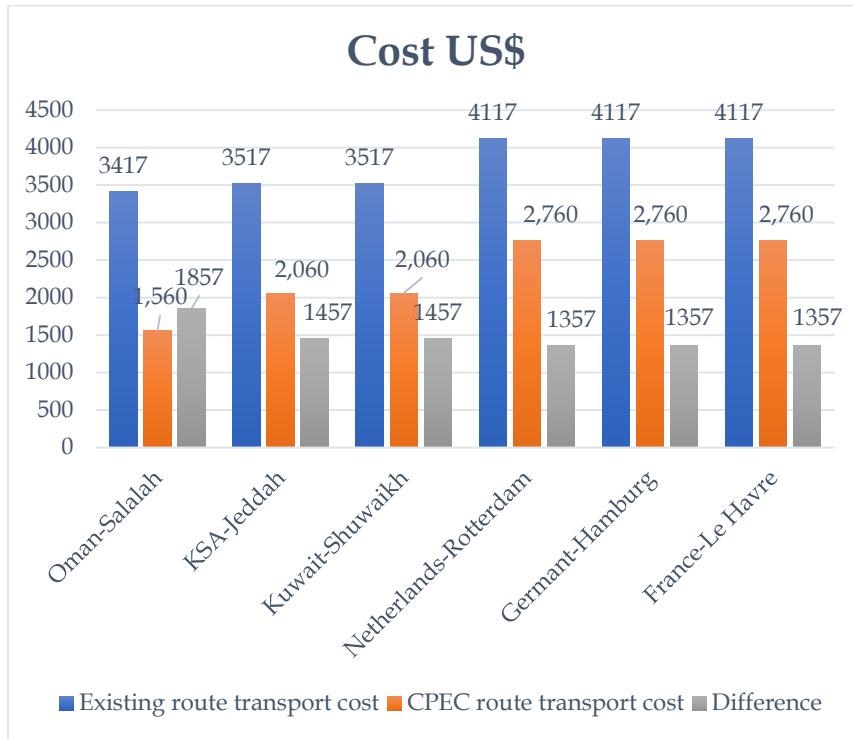


Another study published in Advanced Journal of Transportation (*Alam M.K., Li X., Baig S.*) showed that CPEC will also help Pakistan to be an active player in transit trade. CPEC's transport and Sea infrastructure will facilitate trade from Western China and will assist to reduce travel time and cost. According to the report it will assist to reduce travel time by 20 days for Oman, 21 days for KSA, 24 days for Kuwait, 2 days for Netherlands, 2 days for Germany and 21 days for France from China.



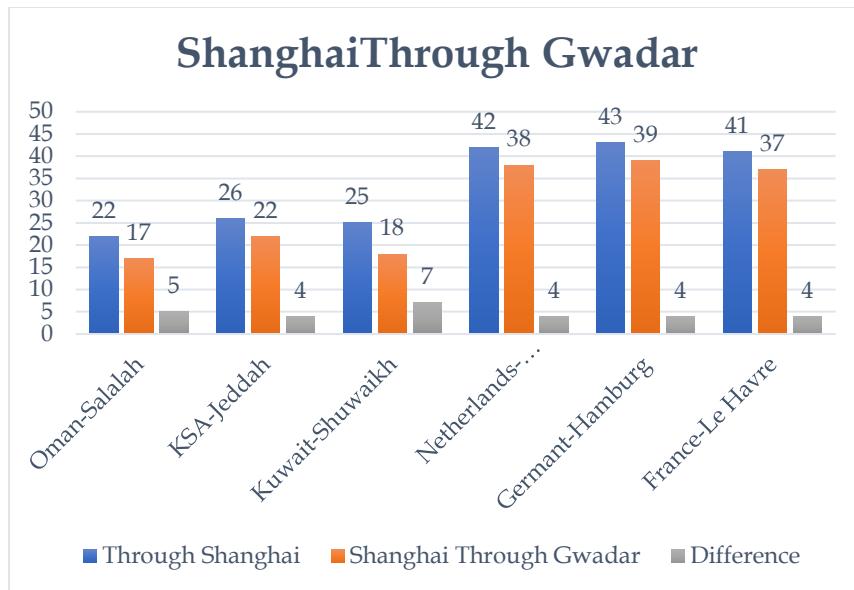
Source: *Alam M.K., Li X., Baig S., 2019*

In terms of cost per container in US\$, there would be saving of 1857 for Oman, 1457 for KSA, 1457 for Kuwait, 1357 for Holland, 1357 for Germany and 1357 for France for China. China can accrue benefits of US\$ 70 billion due to CPEC route. Pakistan, being transit country, can also benefit in terms of fees and other services.



Source: Alam M.K., Li X., Baig S. 2019

These all calculations were made by using trade data of 2016 and it was assumed that the average speed of container would be 40 km/h. Authors further expanded the scope to other parts of China. It was calculated that even exports from Shanghai region through CPEC will also introduce substantial benefits.



Source: Authors' calculations

It is anticipated that after completion of all infrastructure, the efficiency will be increased further. The change of mode of transportation (container to railways) will introduce substantial benefits. Therefore, it is important to study, design and implement second phase in such a way that it helps to consolidate and enhance the benefits of first phase.

3. Second Phase of CPEC

CPEC has now entered second phase. It brings a new set of opportunities and chances, to enhance benefit from the first phase. However, before any intervention government must have to develop a matrix of past experiences, mistakes and learnings. The future strategy must be developed on the basis of past learnings. For example, one of the learning is that the decisions must be made on the basis of economic rational and efficiency not on political preferences. It will help to maximize benefits of CPEC in the long run.

Our analysis of past intervention suggest that government should focus on following four areas:

1. Special Economic Zones

2. Governance and Structural Reforms
3. Backward Linkages
4. Human Capital

3.1. Special Economic Zones

Industrialization is main pillar of second phase. It will provide required sources of economic growth and help to generate employment. Employment is considered main factor for trickle down of economic benefit. Therefore, success or failure of industrialization will determine the fate and perceived benefits of CPEC. It is envisioned that for the implementation of industrialization policy and plan, Special Economic Zones (SEZs) will play pivotal role. SEZs would provide basic infrastructure and impetus for industrialization.

SEZs across the world are being implemented to cater for four or anyone of fours objectives of countries 1) Give impetus to industry, export and attract FDI, 2) generate massive employment opportunities, 3) introduction or supporting reforms and 4) experimentation of ideas, reforms, or strategies. Pakistan is looking to achieve four objects through SEZs under CPEC.

There is no second opinion about the potential of SEZs for rapid growth and industrialization. The belief in positive contribution of SEZs led to exponential growth in SEZs across the world. UNCTAD, 2019, showed that the number of SEZs increased from 79 in 1975 to 5400 in 2018 (World Investment Report, 2019). However, the pre-requisite for the success of SEZs are sound planning, implementation and M&E. Planning and implementation include bundling all services at one-point to kick start the process of SEZs development, reforms and ease of doing business etc.

Good planning guarantees half success. Planning process should be rigorous, target oriented and consider domestic and global dimensions of SEZs. Therefore, Pakistan should adopt two prong strategy, 1) domestic, 2) global. For domestic level Pakistan should keep in mind that Pakistan is middle income country with huge population. Therefore, Pakistan needs to rationalize its objectives and try to focus on enhancing and

strengthening industrial base, inclusion in global supply chains, technology dissemination, spillovers, and diversification of industry. On global dimension Pakistan should analyze its global commitments under World Trade Organization, Subsidies and Countervailing Measures (SCM), Trade-Related Investment Measures (TRIMs) and other regional commitments etc.

Second Pakistan would have to develop a rigorous, comprehensive and objective oriented monitoring and evacuation (M&E) plan and framework¹. M&E framework will help to keep the interventions at track and reduce wastage of resources. It will also help to refine and improve implementation strategies on basis of learnings.

Although, SEZs give an impression of success, enhanced production, increased export, GDP, etc., but there are many SEZs which proved failure. Literature highlighted many reasons of failure, but major reasons are following (World Investment Report 2019, Zeng Z. D.);

1. Complicated institutional, legal and regulatory framework, which hinders the implementation of reforms and Zone's plans. Sometime, lack of institutional and legal reforms and absence of legal cover and execution institution severely impact the implementation of Zone. It has been observed that many countries try to establish SEZs without proper homework like in some African countries (Zeng, Z.D. 2012).
2. Inconsistent policy, it has also been observed in some democratic countries that with change of government, the policy also changes, and business community has to renegotiate with new government (Zeng, Z.D.. 2012).
3. Excessive rules and regulations, difficult scenarios of compliance etc. Hurdles in establishment of business, like time for

¹ SDPI is working to develop a comprehensive M&E framework for CPEC-2nd Phase

registration, connections of electricity, gas, water and other utilities

4. Introduction of industries or sectors which do not have foot print or capabilities in country
5. Enclave status of SEZs and weak linkages with local economy, linkages are critical to produce spillover effects
6. Low level of Human Capital
7. Bad law and order, it shakes the trust of investors

Exploitation of SEZs is another dimension. It has been observed that private sector most of time work only for profit, especially the multinationals and big corporations. They only invest if they see good return to their investment. It is especially true for big companies. They maximize their benefit and look for next destination. We can find many examples from across the world. For example, many USA's multinationals and big companies they have shifted their production facilities to other countries and USA is now worry about the creation of jobs. Moreover, they also try to avoid taxes and take their money to tax heavens. Government will have to keep in mind this dimension and chalk out a way which can help Pakistan to avoid such exploitation in long run.

Many countries benefited from SEZs and China is one of such countries (Box-1).

Case Study of China

Special Economic Zones (SEZs) in China account for providing employment opportunities to 30 million people with rise of 22 percent GDP (Zeng, 2010). Study also estimated that SEZs has attracted 46 percent of FDI with the increase of 60 percent in potential exports of China.

(Alder, S., et al., 2013) used panel data analysis to study functioning of SEZs in major zones of 270 cities in China after the introduction of reforms at regional level. Study found that major economic zones contributed 12 percent in GDP and in future can contribute 20 percent more. Another study by (Wang 2013) studied 321 cities from time-period 1978-2008 in China. According to his study firstly, SEZs on average will add 21.7 percent in per-capita FDI with 6.6 percent increase in FDI growth rate. Secondly, these programs will contribute in economy that will help in technological advancement of already installed programs ultimately giving 8 percent rise in wages of workers.

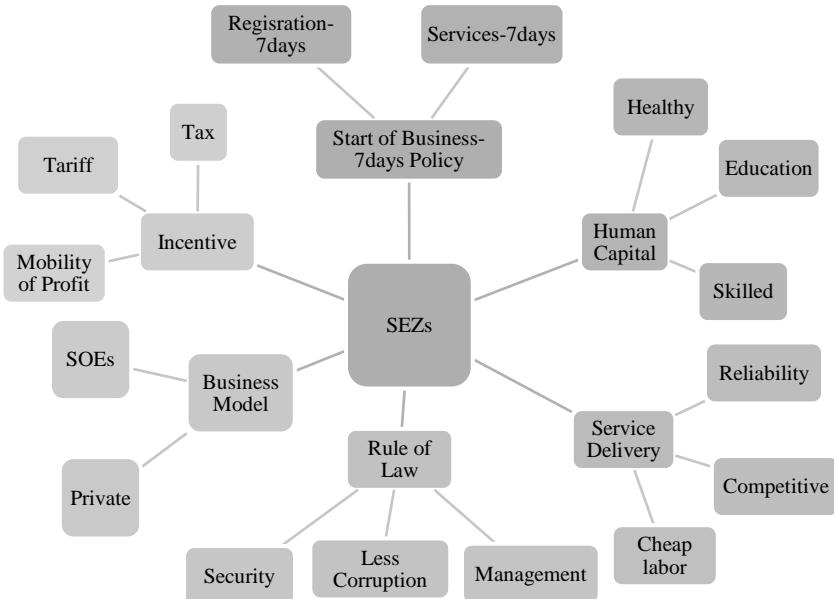
Yet, export diversification in China is still challenging. A study conducted by (Schminke and Van Biesebroeck, 2013) found that Economic and Technological Development Zones (ETDZs) experience higher export values in terms of numerous destinations and higher volume of trade as compared to Science and Technology Industrial Parks (STIP) that have expertise in exporting material to high-income countries by drawing higher export rates.

Literature review suggest following major interventions for turning a SEZ into a success story;

1. Better governance, law and order, better institutional framework, legal framework,
2. Strong linkages with local economies, inclusive supply chain, a proffered for trickle down strategy,
3. Livable vicinities, concept of affordable and healthy living, with quality services like health, education etc.
4. Good incentive structure
5. Ease of doing business
6. Market size incentivize the potential industry

7. Provision of quality Human Capital
8. Export oriented policies to incentivize investment in industrial sector.
Investors and industrialists always look for destination, which support smooth export and provide incentives for export.

Above discussion urges Pakistan to be cautious and adopt a wise strategy. The strategy must look for economic rational and try to avoid political interference, which can negatively impact SEZs. It must be based on the reality, facts and strengths of country and should avoid wish list strategy. For example, firms with good knowledge and experience in the field of production, marketing and distribution should be encouraged to take lead. It has been observed that these organization have positive spillover effect on other companies in country (Johansson, H. and L. Nilsson. 1997). We suggest a set of interventions for the successful implementation of SEZs policy and achieve the desired results. We have developed a matrix of interventions (Fig-).



Presently Pakistan is facing problem in all sectors. The process to start a business is very difficult and complicated. For example, it takes 117 days to get electricity connection against 10 days in UAE. It takes 266 days to

start construction. The story of other elements of ease of doing business is not different. Although last year Pakistan showed a positive progress in ease of doing business, but situation is still very complicated. Therefore, Pakistan will have to think deep and devise a good policy on the basis of good practices.

The starting point would be to ease the “Start of Business”. Government should adopt a “7-Days Policy”. Government must establish a specialized office in each SEZs to facilitate the investors. These offices should be given autonomy and given protection by the parliament. The mandate and sole purpose should be to fulfill start any business within seven days with ensured facilities and utilities, in the respective premises.

Second point would be to strike a balance between state owned enterprises and private sector in each SEZs. It is very important. The logic behind this suggestion is that under BRI there are 126 partner countries. Every country will be competing to incentivize private sector. Private sector will decide on the basis of incentives and opportunities to maximize profit. It is rational step for private sector but it can negatively impact any country. Private money can leave country and country will not be able to stop it. Therefore, there is need to strike a balance between SOEs and private sector. Moreover, in private sector small and medium enterprises should be given special focus. It is always difficult for small and medium enterprises to move from one country to another country.

Last point of entry would be that Pakistan should introduce some elements of innovation like eco-friendly industries of services. It will help Pakistan to promote image of environment friendly investment². Pakistan can also learn from the experience of Philippines in the field of eco-zones (FIAS. 2008).

3.2. Governance and Structural Reform

Governance has been highlighted as one area which determine the fate of SEZs. It can hinder smooth functioning of country and development of

² SDPI has developed ideas for eco-friendly industries

good business and employment opportunities and vice versa. Weak and bad governance leads to failure of SEZs. It is evident from the case studies of some African countries (Farole, Thomas. 2011).

Pakistan has been encircled between weak to bad governance. The spectrum of bad governance is evident from day to day business of state. It has impacted each sector of economy and society (our focus is economy). In economic term the worst affected sector is State-Owned Enterprises (SOEs). SOEs were created to support country and add to revenue of state. Regrettably, most of the SOEs have been turned into bottomless holes and government is spending billion to sustain these enterprises. Now government is thinking to privatize these SOEs, which is again bad strategy in long run.

Consumption led growth of GDP is another element of weak institutional and governance outcome. Consumption in itself is not bad if it is being met by local production. Presently consumption is met with minimum support from domestic production sector.

Private sector governance, institutional support and legal framework is not business friendly. It is really in bad shape. All indicators including ease of doing business, security, services etc. are all in bad shape. The circumstances are discouraging business community to invest in country. Even the completion of first phase of CPEC could not attract the perceived investment. Many businessmen from different countries visited Pakistan but visits could not produce the desired results.

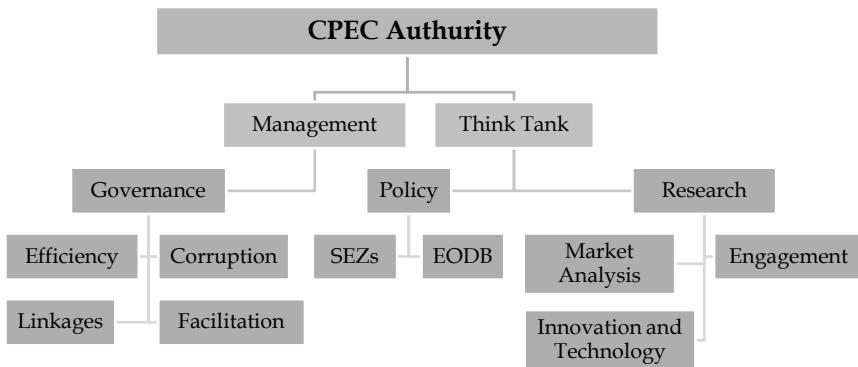
Therefore, government should immediately start reforming its economic governance. Although country required comprehensive reforms, but we will limit to economic sector. The entry point for reforms should be SOEs. We suggest following reforms;

1. First of all, government should introduce Cooperate Social Model. It will ensure profitability and employment generation
2. Government should introduce competition for SOEs, the monopoly system should be abolished. For example, China introduced this concept in telecom industry and is reaping the benefits. Monopoly of SOEs like Steal Mill, PIA and others should be abolished.

3. De-politicize all SOEs

For private business government should look into following areas;

1. First and most prominent fields for interventions would be tariff modification and rationalization, ways to reduce border clearance days
2. Government will have to work a comprehensive service sector strategy for business and transportation. Facilitation should have central stage in devising strategy. Digital support to services sector would be critical. It will enhance the efficiency of transport sector by timely availability of information. Digital connectivity, transport and e-commerce go hand in hand.
3. Allied services also be provided and governance according to good practices. For example, security of routes, food services, hotels and quality of roads and railway. These all will contribute to enhance the efficiency of transport sector and promote the use of network. In case of Pakistan, country can benefit by presenting a good and reliable transit route for many countries. Pakistan can attract at least 4 percent of China's global trade through CPEC route, if Pakistan apply good quality services. It will help Pakistan to collect revenue around US\$ 6-8 billion yearly for trade with six countries as described above (Dr. Nadeem Javed, May 2017, Reuter). These estimates were made on lower bond and it only presents a small proportion. Moreover, it will also help to increase Pakistan's export.
4. Another area of intervention would be time management and look for ways to enhance efficiency of interventions. We have witnessed some delays in some interventions, especially for business community. It is good to note that government is cognizant of the fact and has erected CPEC-Authority. Authority was a must step. However, now Authority will have to pave a smooth way for implementation and facilitation for business community. Authority should not confine itself to only management issues. It should also work to create a vision for future of CPEC and related interventions. We propose following structure of the authority



5. Lastly, the reform matrix of SEZs' section must be implemented in true spirit. These reforms will help us to improve not only ease of doing of business but also help to tackle issues of social and economic development. Inclusion of digital technology in governance will help to reduce human interaction and reduce corruption. It will also enhance efficiency of services. It would be vital intervention, as governance in Pakistan does not follow the global definition or practices. In Pakistan governance follow a model of “relation based” practices.

3.3. Backward Linkages

Major infrastructure cannot help to fully utilize the potential without sound backward linkages. Backward linkages will create conducive environment for business, trade and connectivity. For example, farm to market linkages, it can only be done by creating linkages of major highways, motorways with small towns and villages. It will help small farmers and producers to deliver their products at lower costs and efficiently. In the case of agriculture products, it becomes even more important. As we know most of the products of agriculture sector are perishable commodities like vegetables, fruits and many others. Better connectivity will help farmers to reduce time of delivery and help farmers to get good price. Moreover, it will also help Pakistan to improve chances of enhance trade of agriculture commodities.

It is also critical to ensure trickle down impacts of development. It has also been pointed out by World Bank, 2019, that due to weak backward linkages in Pakistan, internal trade will not flourish much. It pointed out that it will only show a meager increase of 0.8 percent till 2030. It becomes even more important, as second phase of CPEC specifically talk about agriculture development, social development and combat poverty. Quality backward linkages are one of the key areas for improving supply efficiency of farm products.

Therefore, government will have to work on creating backward linkages of major transport and other infrastructure through policy. Government should immediately start working on it and ensure that till 2030 backwards linkages should be in final stage if not completed.

4. Human Capital

The worst part of propaganda against CPEC is that China is importing labor. It is being portrayed as that local will not get jobs. However, facts tell us different story. First thing is that, first phase of CPEC produced 75000 jobs for local people. Second, Pakistan severely lacks quality human capital. It is evident from the ranking of Pakistan on Human Capital Index. Pakistan is placed at 134 place, among 157 countries (World Bank, 2018). Every businessman and investor want good quality human capital. We need to understand that CPEC is an economic venture not a charity. Pakistan is already suffering due to low quality human capital and out of merit appointments. This is one of the major elements along with factors which contributed to poor state of SOEs in Pakistan.

Therefore, Pakistan needs a policy and strategy to produce quality human capital. Good thing is that government have launched a program to develop the human capital through Prime Minister Youth Program. Government also has activated other institutions and departments to play their role.

China is also helping Pakistan for production of good quality human capital. China has dedicated a huge amount for skill development, education and health for second phase of CPEC.

There is another area which needs attention of government. Government will have to motivate private sector to play their role in skill development. According to Apprenticeship Act, it is responsibility of every industry to invest a certain portion for skill development. It will help country and specifically to business community. Skilled resource help to mitigate loses and enhance efficiency. It would be a win-win situation for everyone.

5. Conclusion

Although there are number of areas which required attention, but we limited ourselves to only few. We studied three important aspects related to CPEC and BRI. First, we tried to find evidence, which can explain potential impacts. Second, paper discussed the propaganda against BRI and CPEC. The word “Propaganda” now seems synonymous to CPEC in Pakistan. It is favorite subject to hit and try to present itself an independent analyst, researcher or commentator. Ms. Alice Wells hardly miss any gathering or discussion without criticizing and propagating against CPEC. It cannot be said that she does not have required information because she knows what she wants to obtain by criticizing CPEC. Unfortunately, many Pakistani scholars and researchers follow the suit and start to criticize CPEC without checking the facts and figure. Although, studies are available, which analyzed the impacts of BRI and CPEC, but little efforts are being put to dissect those studies. It depicts the biased attitude and self-assumed rightness of many people. It led to many people, countries and regions to develop anti BRI and CPEC agenda and programs. Most recent addition is European Union, as EU declared China as a “Systematic Rival”.

Third, we tried to focus on CPEC, second phase of CPEC and look for ways which can help to implement second phase smoothly. We find that BRI and CPEC can help Pakistan immensely if we implement it according to true spirit. It will help to Pakistan to revive economy, increase GDP, welfare and will also help to uplift people from poverty. However, to achieve these goals government will have to introduce reforms in multiple sectors. Special Economic Zones would require special attention. On the basis of analysis, we have developed a set of recommendations.

Recommendations

On the basis of literature review presented in this paper and analysis of different aspects of CPEC, following are the recommendations;

1. De-politicize CPEC related policy and implementation plan
2. Decisions must be made on the basis of economic rational and efficiency
3. 7-Days policy should be adopted to facilitate business community
4. Economic reforms are key to capture potential benefits of CPEC
5. SEZs policy should be developed and implemented according to international standards, as Pakistan is signatory to multiple multilateral agreements.
6. Government should also try to introduce idea of “Eco-Special Economic Zones”.
7. Government should design SEZs according to status of development, i.e. Pakistan is low middle income developing country, Pakistan should focus on industrialization, diversification, job creating industries, spillover effects, export etc.
8. Pakistan should keep in mind international rules and regulation before, designing incentives for SEZs, like WTO, Subsidies and Countervailing Measures (SCM), Trade-Related Investment Measures (TRIMs)

References

1. Alam M.K., Li X., Baig S. Febraury, 2019, *Impact of Transport Cost and Travel Time on Trade under China-Pakistan Economic Corridor (CPEC)*, Volume 2019 /ArticleID 7178507 / 16 pages / <https://doi.org/10.1155/2019/7178507>
2. Alder, S., et al. 2013. "The Effect of Economic Reform and Industrial Policy in a Panel of Chinese Cities." Working Paper no. 207, Center for Institutions, Policy and Culture in the Development Process, University of Zurich.
3. de Soyres, F. Mulabdic A. Ruta, M. 2018, *Common Transport Infrastructure, A Quantitative Model and Estimates from the Belt and Road Initiative Policy Research Working Paper 8801*, World Bank
Embassy of People's Republic of China,
<http://pk.chineseembassy.org/eng/zbgx/CPEC/t1626097.htm>
4. FIAS. 2008. "Special Economic Zones: Performance, Lessons Learned, and Implications for Zone Development." Washington, DC: World Bank
5. Farole, T. 2011. "Special Economic Zones in Africa: Comparing Performance and Learning from Global Experience." Washington, DC: World Bank
Pakistan Economic Survey, 2018-19,
http://www.finance.gov.pk/survey/chapters_19/1-Growth.pdf
6. Maliszewska, M. van der Mensbrugghe D., 2019, *The Belt and Road Initiative Economic, Poverty and Environmental Impacts, Policy Research Working Paper 8814*, World Bank
7. Schminke, A. & J. Van Biesebroeck, 2013. "Using export market performance to evaluate regional preferential policies in China," *Review of World Economics* (Weltwirtschaftliches Archiv), Springer;Institut für Weltwirtschaft (Kiel Institute for the World Economy), vol. 149(2), pages 343-367, June.
8. Vision 2025, Pakistan, <https://www.pc.gov.pk/uploads/vision2025/Pakistan-Vision-2025.pdf>
9. Wang, Jin. 2013. "The Economic Impact of Special Economic Zones: Evidence from Chinese Municipalities," *Journal of Development Economics* 101: 133–47.

10. World Bank, 2018, *The Human Capital Project*,
<https://openknowledge.worldbank.org/bitstream/handle/10986/30498/33252.pdf?sequence=5&isAllowed=y>
11. World Bank, 2019, *Belt and Road Economics: Opportunities and Risks of Transport Corridors*. Washington, DC: World Bank
World Investment Report 2019, Special Economic Zones,
https://unctad.org/en/PublicationChapters/WIR2019_CH4.pdf
12. Zeng, Z.D. ed. 2010. *Building Engines for Growth and Competitiveness in China: Experience with Special Economic Zones & Industrial Clusters*. Washington, DC: World Bank.
Zeng Z. D 2012. "SEZs in Africa: Putting the Cart in Front of Horse?" (blog). Washington, DC: World Bank.
13. Zeng Z. D. 2012. "*An Overview of Six Economic Zones in Nigeria: Challenges and Opportunities*". *World Bank Policy Note*.
14. Zeng Z. D. ,2015 *Special Economic Zones: Lessons from the Global Experience, Privat Enterprise Development in Low Income Countries*,
PEDL Synthesis Paper Series' No. 1,
<https://www.reuters.com/article/us-pakistan-economy-china-silkroad/pakistans-silk-road-repayments-to-peak-at-around-5-billion-a-year-chief-economist-idUSKBN1861GH>

Chapter -6

Security Vision of China

Ancient theory of “Three Capabilities” namely economic, military and political remained pivotal in shaping China’s security vision throughout history. Rational analysis of these capabilities always dictated the policy and strategy for peaceful co-existence. China believes that careful analysis and application of three capabilities always help to avoid war and pave way for success. It is exactly in line with the concept of Sun Tzu “win war without fight”.

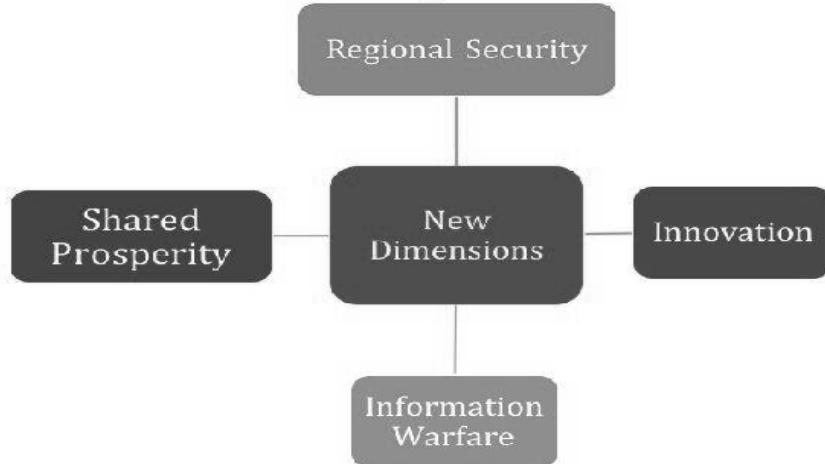
Chinese leadership followed the conventional thoughts and focused on building national economy and ensuring well-being of people as a basic, first and foremost tool of security. Economy, well-being, and prosperity were considered the key elements to apply a comprehensive security vision.

President Jiang Zemin and Hu Jintao started the process of “constructive engagement” but non-interference remained the guiding principle. It helped China move from non-involvement strategy to engagement strategy. The marvelous economic success of 1990s and two decades of 2000 have further strengthened the position and resolve of China for constructive engagement. President Xi Jinping moved one step ahead and took lead in playing a formidable role on the global stage. China started to move from economic leadership to active participation in global diplomatic and security discourse, and frameworks.

China's policy of incremental reforms, continuous learning and rational behavior helped it to achieve its current status. Learning behavior and incremental reforms are again assisting the country to redefine its tools of engagement according to the needs of modern era. It has created a new office under the command of Central Military Commission with the name of Office for Reform and Organizational Structure. The main responsibilities or functions are "planning and coordinating national defense and military reform, guiding and promoting the implementation of the reforms in major areas, and the organizational structure management of the armed forces".

China has also created National Security Commission to reform decision making according to modern needs. It is being headed by President Xi and also includes the Prime Minister. China is also refining and introducing new means and instruments for national security. Deep dive into security, defense documents and policies highlight emergence of four new pillars of engagement at the global level. Although these pillars have roots in "three capabilities" but it is designed according to the needs of present and future.

Figure 1



The four pillars are: a) information warfare, b) regional security emphasis, c) innovation, and d) shared prosperity (Figure 1). China realized that

present and future warfare will be heavily dependent on capacity and capabilities in the information sector. Therefore, for the last two decades, China has been focusing and investing on strategies and tools of information warfare. Innovation is playing a lead role to enforce the vision of information warfare. In recent years China exhibited leadership in innovation of cutting-edge technology for all fields. Quantum computing, 5G and stealth technologies are a few examples. *Huawei* is a leading player in 5G technology's infrastructure. U.S. and West are hellbent against it. U.S. has declared *Huawei* as a security threat and is pushing its allies to not work with the company. However, China is not stopping here. It has announced to venture in 6G technology and infrastructure for the technology.

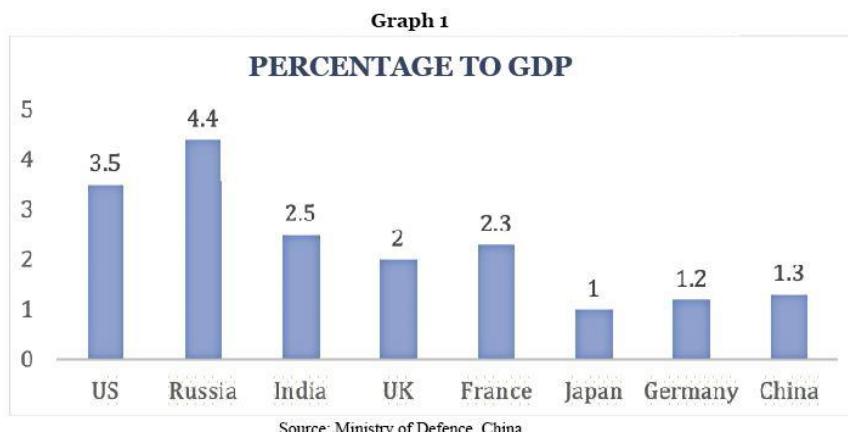
Military equipment development is another area to watch. In recent years China almost doubled its expenditures in defense (Table 1). The biggest increase can be observed in equipment section. In absolute term it increased by 251.48 RMB billion. It is in line with China's goal and strategy to modernize its equipment and focus on innovation in the sector. A huge amount of resources have been deputed for research and development in defense.

Table 1 Breakdown of China's Defense Expenditure (2010-2017)
(in RMB billion yuan)

Year Item	Personnel Expense		Training and Sustainment Expense		Equipment Expense		Total
	Amount	Percentage (%)	Amount	Percentage (%)	Amount	Percentage (%)	
2010	185.931	34.9	170.047	31.9	177.359	33.2	533.337
2011	206.506	34.3	189.943	31.5	206.342	34.2	602.791
2012	195.572	29.2	232.994	34.8	240.626	36.0	669.192
2013	200.231	27.0	269.971	36.4	270.860	36.6	741.062
2014	237.234	28.6	267.982	32.3	323.738	39.1	828.954
2015	281.863	31.0	261.538	28.8	365.383	40.2	908.784
2016	306.001	31.3	266.994	27.4	403.589	41.3	976.584
2017	321.052	30.8	293.350	28.1	428.835	41.1	1043.237

Cited: China's National Defence in New Era. Sources: Data on China's defense expenditure submitted to the UN by the Chinese government

It is worth mentioning here that China's increase in defense does not correspond with the economic growth and development. It still falls at sixth place in terms of percentage expenditure on defense to GDP (Graph 1).



Moreover, China does not want to become global policeman. It is focusing on regional context. It is busy in formulating and strengthening regional security framework and platforms. It is actively pursuing ASEAN for forging a comprehensive deal to manage defense of the region. It is consolidating the Shanghai Cooperation Organization (SCO) to ensure peace and sustainable development. SCO is the largest regional organization in terms of population and geography. It is also host to four nuclear powers and two arch rival nuclear powers. SCO is a very important and rising organization for paving the way for economic development and security cooperation. It has even engaged Pakistan and India to jointly work on terrorism policies and execution of plans.

Although China enhanced its expenditure and contribution for security, it is still sticking to the basic principle of security, human security. China is putting efforts to invest in human security. It has created multiple regional and global economic forums for sharing its fortune. Belt and Road Initiative (BRI) is one of such initiatives. It is a very ambitious and multi-trillion dollar program. It is open for everyone and there is no discrimination. This is also in line with fourth pillar of Chinese strategy, “Shared Prosperity”. From ancient times to present China strongly believes that peace can only be ensured by creating harmony and sharing prosperity. It is also a necessary condition for securing human security.

President Xi Jinping is championing this cause. President Xi, at numerous places, explained his vision of shared prosperity. He has also initiated different programs to realize the vision of shared prosperity. In 2014 he launched the BRI. He has been continuously creating, expanding and strengthening existing institutions, organizations and programs since then. Under President Xi Jinping, SCO is turning into a global player. The Asian Infrastructure Investment Bank (AIIB) was created to facilitate multiple programs and projects by providing easy investment. For enhancing trade and cooperation, President Xi launched “China International Import Expo” in 2018.

The discussion on China’s security vision highlights seven important messages. First, human security (individual) is key. It can only be ensured by providing decent living, sustainable food and security. Therefore, it is paramount to consider it as a top priority before moving to the next step. The only way to ensure it is sustainable economic growth and social development. China is still sticking to this principle. It can be verified by comparing data of defense expenditure with overall expenditures of the country (Table 2). Defense sector’s share has fallen from 5.31 percent to 5.14 percent.

Table 2
China’s Defense Expenditure Since 2012

Year	GDP (RMB billion)	Total Defense Expenditure (RMB billion)	CPI (Previous Year = 100)	Growth Rate of Government Expenditure (%)	Growth Rate of Defense Expenditure (%)	Defense Expenditure to GDP (%)	Defense Expenditure to Government Expenditure (%)	Real Defense Expenditure Growth Rate (Inflation-adjusted) (%)
2012	54036.74	669.192	102.6	15.29	11.02	1.24	5.31	8.42
2013	59524.44	741.062	102.6	11.32	10.74	1.24	5.29	8.14
2014	64397.4	828.954	102.0	8.25	11.86	1.29	5.46	9.86
2015	68905.21	908.784	101.4	15.87	9.63	1.32	5.17	8.23
2016	74358.55	976.584	102.0	6.75	7.46	1.31	5.20	5.46
2017	82712.17	1043.237	101.6	8.17	6.83	1.26	5.14	5.23

Sources: Statistical yearbooks and government documents released by the Chinese government and data on China’s defense expenditure submitted to the UN by the Chinese government

Second, there is no need to get involved in conflicts or problems. A good strategy would be to avert any such attempt and concentrate on national issues and development. But it does not mean that you compromise on the national threats, border issues or national territory. Third, it is always good to be humble and deal with international affairs rationally and without the involvement of emotions. Fourth, play a policy of patience and wait for appropriate time to exhibit its force. Grey area strategy can help to sustain the pressure and movement toward the objectives. It is an important tool to secure victory without fighting, which is also the core message by Sun Tzu. Fifth, non-interference is the best strategy for defense. Sixth, partnership is the only viable strategy for peaceful co-existence. Alliances always need opponents to fight, which provide the basis for future conflicts.

Lastly, always keep an eye on the future, be ready for reforms and build according to the need. China is now concentrating on these dimensions. Technological development and innovation in technology and weaponry are the prominent features of China during the last two decades.

Pakistan can learn from these seven highlights of China's security vision. The learning is that human security, sustainable economic growth and development leads the way for a sound security vision.

From: Monthly Hilal Rawalpindi,

https://www.jstor.org/stable/resrep02843?seq=1#metadata_info_tab_contents

PART – 2



CPEC For Sustainable Development

CPEC and the Sustainable Development it Brings to Pakistan

The issues like environment and poverty are closely linked with multiple and multi-dimensional aspects impacting the overall rationale of a developing economy. In Pakistan, poverty is high and people have less sustainable opportunities. Over 58% of people are food insecure and it is on the rise. Similarly, the country loses Rs365 billion each year due to environmental degradation issues rarely taken up by governments.

The energy crisis persists, incurring huge losses to national GDP (i.e. \$2-4 billion along with other social aspects). The country has lost about \$18 billion due to floods from 2010-2015. Water scarcity is a new threat, as per capita availability has gone down to 1,000 cubic meters per square.

In addition, Pakistan is still engaged in the war on terror, which has broken the socio-economic fabric of the country. Local investment has gone down and the domestic industry is not performing, affecting the trade balance. War on terror has also heavily hampered foreign direct investment.

The need for CPEC

In this backdrop, the China-Pakistan Economic Corridor (CPEC) is a ray of hope for both the people and the ruling elite of Pakistan. It is a multi-dimensional investment, which comprises interest-free loans, soft loans, and export credit. Despite its potential and benefits, some people criticize CPEC on different grounds. The criticism at the domestic level is built on the basis of a lack of information.

A few days ago, the government of Pakistan and China signed and published the Long Term Plan for CPEC, which helped mitigate criticism regarding the non-availability of information. Its availability in the public domain enhanced the access of the wider audience at the international and local levels.

Environmental concerns

A major concern is a possible impact on the environment and climate change. It is being argued that it will introduce a new set of problems. Before discussing CPEC, there is a need to understand the relationship between the environment and poverty. It has been well researched that poverty has a positive relation with environmental degradation and climate change. The poor try to consume whatever is available for their survival, so natural resources become the first victim.

People living in the neighborhood of forests start using the natural resources for their livelihoods leading to deforestation, which is one of the major causes of environmental degradation and climate change. Deforestation also leads to soil erosion impacting watersheds and watershed management. Pakistan has lost a huge forest cover due to poverty. Similarly, poor overuse the available resources like land in order to get short-term benefits. In the worst-case scenario, they migrate to cities in search of livelihood opportunities.

The influx of people in cities also creates problems on multiple fronts and the environment is one of the most impacted areas. In order to sustain, the government is to expand the infrastructure like water and sanitation, roads, etc. Expansion of roads mostly results in tree cutting, reduction in green areas, etc. It also increases the number of vehicles and pollution in cities.

One way to tackle these problems is the creation of new economic centers across the country. Analysis of Long-Term Plans shows that CPEC-related investments could resolve the issue of poverty and climate change, if executed in its true spirit. It is a very comprehensive investment, which can help tackle almost all issues of the country.

Detailed analysis of the Long-Term Plan (LTP) shows that climate change and sustainable development have been embodied. The plan will be executed step by step. In the short term, most pressing issues like energy and infrastructure development will be tackled. Coal will be used to overcome the energy crisis. It is in Pakistan's benefit to produce cheap energy for enhancing industrial competitiveness.

Unfortunately, coal use has attracted a lot of criticism due to its environmental impact. The analysis shows that the share of coal in Pakistan's energy mix is very low and it will remain low despite the investment in new coal-fired power plants. It is pertinent to note that most of the developed and developing countries are still quite ahead of Pakistan on this front like the USA, Germany, India, Poland, etc. Furthermore, for Pakistan, it is important to overcome the problem of the energy crisis and invest in renewable energy.

Pakistan and China are aware of this fact and decided to offset the impact by putting more focus on renewable energy. It is explicitly explained in the LTP that the renewable energy sector will be the major area of investment in the future. Both governments are already investing in renewable energy projects like Quaid-e-Azam Solar Park in Punjab and windmills in Sindh. New projects are also in the pipeline. The most important thing to note is that China will also help Pakistan excel in the production of renewable energy-related technologies.

Water and agriculture

China has also shown interest to invest in the water and hydropower sector. The water-related investment would help Pakistan on multiple fronts. Pakistan will be able to store water for lean periods as Pakistan receives 82-84% of the water in the summer and the rest of the year it has to bear the brunt of low water availability. The agriculture sector is being impacted and farmers look for groundwater extraction. Even Pakistan is not able to sustain the minimum required water flows to the sea. Water scarcity will be overcome by investing in water through dam building and better water management. Cheap hydro-energy would be another benefit,

which will enhance Pakistan's competitiveness in the international market besides reducing the carbon footprint.

However, major beneficiaries would be the farming community, mangroves, etc. The farming community will have a reliable and adequate supply of water.

Development of roads, railways and airways infrastructure will improve connectivity, which is supposed to be fundamental for economic growth, development and poverty alleviation along with other factors. Both Pakistan and China have a strong resolve to develop infrastructure. Pakistan has already conducted detailed studies to minimize the environmental impact because of bigger projects. Fiber optics will also be laid down to improve digital connectivity and surveillance.

Special Economic Zones (SEZs) will help create new economic opportunities across the country. These zones will boost local economies by utilizing local resources and providing employment opportunities to local people. The establishment of SEZs throughout the country would ensure equal opportunity to all areas in Pakistan. It will introduce a new set of economic opportunities in less privileged areas like G-B, Balochistan, etc. The creation of SEZs will help reduce migration towards the cities, which in return would help mitigate the problem of pollution in cities on a sustainable basis.

A study conducted by SDPI in 2015 estimated that CPEC would add almost 2 percent to national GDP till 2018, which means there will be growth on the economic front and more jobs on the social front.

All indicators of sustainable development, including economic, social and environmental will be given due importance in its implementation. LTP has mentioned it and stressed to make CPEC sustainable development-oriented and consider climate change as a vital element. Investments in the areas of renewable energy, eco-tourism, climate-resilient agriculture, and the water sector clearly spell the priority of both governments for sustainable development.

From: The Express Tribune Islamabad, January 15, 2018

<https://tribune.com.pk/story/1608758/cpec-sustainable-development-brings-pakistan>

Pakistan Should Target to Become Moderately Developed Country

China's march on the development path has revolutionized the concept of speedy and sustainable growth. The last four decades had witnessed the transformation of China from the poverty-stricken and low development status to a major economic power of the world.

China is approaching the last stop of development and attaining the status of a modern and developed country. There is a lot of discussion on the development path of China, but less on its development model.

For a better understanding, there is a need to dive deep into the structure of development in all aspects – economy, governance, and political structure.

History

China's development is characterized by a set of principal contradictions starting right after the birth of new China in 1949. These contradictions are developed in accordance with the model of Karl Marx.

He believed that if contradictions are tackled, then it can help improve the economy and society otherwise it sets the path for revolution by sharpening the divide in the society.

Chairman Mao defined the first principal contradiction and brought the issue of contemporary China to the front. The major issue at that time was a class difference. This contradiction was overcome at a huge cost of social rearrangements and restructuring. With the shackles of the past

broken, it allowed coming generations to focus on other indicators of the economy and society to boost growth. Deng Xiaoping introduced the second principal contradiction in 1981. He described the contradiction as “the ever-growing material and cultural needs of people versus backward social production”.

The second contradiction reshuffled the economy and it led towards the opening of the economy and society over the last four decades.

It considered it necessary to get rid of old systems of production, distribution and export strategy and move one step ahead. It was necessary to move on otherwise the benefits of the first contradiction would be lost.

The world was invited to invest in China and benefit from cheap labor and production facilities. Multinational companies and other investors were encouraged and given special treatment for establishing business and production facilities.

Special economic and investment zones were created to speed up the process of development. The most significant element of the strategy was to move in a step-wise manner both in terms of openness, and growth and development of the country.

China first selected a few areas for implementation of this development model and moved to other areas later and this process is still ongoing. Over the course of time, China transformed from a world factory to a world laboratory. Today, the country is the second-largest economy of the world and is expanding its economic and trade linkages by introducing new means of engagement after the “Go Global Policy”.

To consolidate its achievements, President Xi gave the third contradiction. He defined it as “unbalanced and inadequate development and the people’s ever-growing need for a better life”.

According to him, China has developed without giving due importance to the environment, which has created many developments, environmental and social problems. Although China pulled 700 million

people out of poverty, still millions of people are suffering at different levels.

Xi has introduced the concept of eco-civilization for sustainable development. He has also defined the path to modernization and development and aspires to turn China into a moderately developed country by 2021 and a fully developed country by 2049.

Lessons for Pakistan

China's model of development and transformation is associated with these principal contradictions. It can be a good learning point for Pakistan as it is also aspiring to become a developed and modern country.

Prime Minister Imran Khan has already expressed his interest in learning from China for rapid economic and social development.

Pakistan, at the moment, is between the first and second principal contradiction, which China has overcome. There are class differences, but not as rigid as they were during the first phase of China's revolution.

Second, Pakistan's production system is not as old as was the case in China. Pakistan has already witnessed the first industrial revolution in the 1960s and later on. It has also tried to introduce industrial and business competitiveness with varying results.

However, we could not sequence our economic and social development path and lack a strategy, which can ensure it. Our worst mistake is the inability to ensure the sustainability of economic policies, social reforms, and development.

The industrial and privatization policy of the 1960s failed when nationalization was initiated in the 1970s. The policy framework once again changed a decade later with no planning. Despite the mistakes of the past, the China-Pakistan Economic Corridor (CPEC) has provided an excellent opportunity to learn from the Chinese development and governance model.

Although China is willing to provide help, Pakistan needs to strike a balance between social, economic and environmental development. It needs to sequence its development trajectory based on facts and figures.

People should be taken into confidence and there should not be any utopian promises of turning around the economy in five years.

The Pakistan Tehreek-e-Insaf (PTI) government can put the economy on the right track with the target of becoming a moderately developed country in the next 10 years.

Lastly, Pakistan must ensure continuity of policies. For this, it has to move towards consensus-based policy development rather than a majority-based policy.

Drawing on these lessons from the biggest ally can help Pakistan move on the path of sustainable development.

From: The Express Tribune Islamabad, September 10, 2018

<https://tribune.com.pk/story/1799279/pakistan-target-become-moderately-developed-country>

CPEC Is Set to Transform Pakistan's Economy

ISLAMABAD: The China-Pakistan Economic Corridor (CPEC) is a hot topic these days. The government wants to sell it as its major achievement, while the opposition claims its contribution in negotiating during its tenure.

A quick review of the documents shows that the CPEC seeds had been sown long ago. Beijing Declaration 2003 gives the first footprint of the concept. Pakistan's former ambassador to China late Akram Zaki once told me that the land corridor had been on the cards since the times of air corridor in the 1960s, and Silk Road was the first step toward it.

CPEC is a bigger initiative in nature and it will transform the economy of Pakistan and the same has been promised in Vision 2025. Therefore, it is necessary to dwell on linkages between Vision 2025 and CPEC. Comparative analysis shows the two have so many complementarities.

CPEC investments are related to infrastructure, energy, railways, optic fiber, agriculture, tourism as well as research and development. Energy and transport sectors are on the priority list along with Gawadar city and port. Vision 2025 identifies that every year Pakistan loses 4-6% of its GDP due to the energy crisis. This loss to GDP means a decline in production base, exports, saving and investment, inflation and availability of employment.

Owing to the energy crisis, industries started relocating outside the country, which further contributed to the non-availability of jobs and the decline in exports. The declining exports are another area, which is now haunting the country. The trade deficit is increasing and a negative

impact on foreign reserves and balance of payment is evident. Vision 2025 outlined a plan and strategy for investment in different forms of energy like coal, hydro and renewable. Coal was cogitated as one of the most immediate sources.

Despite the investments in the coal sector, its share in the electricity mix would be minimum and benefits enormous. It will help overcome the chronic problem of load-shedding. A cheap and sustainable supply of electricity will enhance the competitiveness of the industry and boost exports and provision of jobs, especially for the youth. Apart from coal, a huge investment has made in renewable power sources like solar, wind and hydro, and Quaid-e-Azam Solar Park is already operational.

Vision 2025 also identifies infrastructure related to transport as one of the major impediments for rapid growth. Almost 7% of GDP is lost due to inefficient transport sector. Investment in infrastructure will enhance efficiency and regional connectivity. Regional connectivity will pave the way for trade and peace.

Railways share in transportation will also be increased from 4% to 20%. Through CPEC, investment is being made to upgrade roads, construction of new highways, motorways and creating linkages among existing roads.

Special Economic Zones (SEZs) under CPEC would be a way to achieve goals of Vision 2025. First and foremost would be the enhancement and sustainability of the production base of the country. It will create jobs, as Pakistan needs 1.5 million jobs every year to accommodate and benefit from the youth bulge.

Other factors

Another important area is water, food and energy security in the country and along with that are the two most serious problems. SDPI in 2013 concluded that almost 58.8% population is food insecure. The analysis further exhibited that the situation in 2025 will be more complicated due to population increase and climate change. Water availability is another area of grave concern. Per capita availability has come down to 1,000

cm². Climate change is impacting the water sector in Pakistan and the country is already facing water disasters like floods and drought. According to IPCC and UNDP report on vulnerability, the situation will be further complicated in the near future.

This grave situation requires urgent and sustainable investment in the water and agriculture sector. Fortunately, Vision 2025 and CPEC also prioritize these areas. Vision 2025 outlined the goals of doubling power generation and enhancing access from 67% to 90%. Water storage will be increased to up to 90 days from 30 days. The food insecure population will be down to 30%.

To improve food security, agriculture is an acceptable sector to play a leading role with its multiple roles, e.g. production of food, employment to 44% labor force, which contributes to 21% of GDP. Long Term Plan (LTP) of CPEC gives a comprehensive list of programs for investment. It includes farming, livestock breeding, forestry, and food growing and aquatic and fishery. Research and technological cooperation would be augmented. Production of inputs would also encourage and given technological assistance. Agriculture is also targeted as a key area to combat poverty by transferring sector into climate change resilient and globally competitive sector.

Water was the part of CPEC in different forms like drinking, sanitation, agriculture, and industry. Now both China and Pakistan have decided to amplify cooperation. Dam building has also been included in the list of CPEC. Different sources quote a figure of \$50 billion for building a cascade of dams along the Indus River. Infrastructure related to water will also be made resilient to climate change. There would also be an investment in the irrigation sector, especially in drip irrigation.

Apart from the areas mentioned above, Vision 2025 also spells out the goals of tourism development. It is a well-established fact that Pakistan is bestowed with beautiful landscape and geography. Vision 2025 identified religious, historical and naturally attractive sites as the potential for developing tourism. LTP outlined the development of eco-tourism in coastal and mountainous areas of Pakistan.

China will help improve the knowledge base for Pakistan. It will build the capacity of universities and students to compete at the international level. Exchange programs have already been started and now thousands of Pakistani students are not only frequent visitors of Chinese universities but are also studying there.

A comparative study of Vision 2025 and LTP of CPEC shows that both are complementary to each other with a number of goals and objectives. The only thing is how Pakistan opts for the Chinese model of success by using its indigenous tools of development and research.

From: The Express Tribune Islamabad, February 12, 2018
<https://tribune.com.pk/story/1632453/cpec-set-transform-pakistans-economy>

Opportunity Cost of No CPEC

Pakistan was in dire need of investment for transport infrastructure and CPEC provided that opportunity to Pakistan

Way back in 2010-11 it was calculated that the energy crises were costing Pakistan 2 percent of GDP. Pakistan was energy-hungry, thus, the Industry started to relocate out of the country. Employment opportunities started to shrink. The export sector suffered due to a lack of competitiveness and a higher cost of production. The energy crisis mad the economic indicators worse. Pakistan was unable to attract investment in the energy sector and our allies did not show much interest in solving our problem and Pakistan wondering how to attract the investment for the sector.

On the other hand, war on terror had shaken the economic and social fabric. Pakistan was struggling to control the menace of terrorism. The infrastructure of Pakistan was deteriorating due to excessive use by ISAF and the US. Pakistan lost 50000 people and 70-80 billion US dollars in terms of money till 2015. In this backdrop, China extended its hand to help in the form of CPEC.

Unfortunately, CPEC became under criticism and some people started to oppose it without understanding CPEC, its dimensions and the needs of Pakistan. The objective discussion was lost somewhere between pro-CPEC and against people. The irony is that CPEC, an economic and development initiative is being analyzed on the basis of security or geo-strategy. Geo-strategy or security is irrelevant notions for CPEC. Awkwardly enough, pro-CPEC people also remained happy to engage in the geo-strategic and security discussion.

A pure economic and development-oriented analysis is required to understand CPEC. Let's start by discussing the energy side of CPEC. As it was mentioned energy crises alone were causing a loss of 2 percent to GDP. The total GDP of Pakistan is 305 Billion US Dollar and two percent means 6 billion US\$ per year. Now multiply it with 20 years, it means 120 billion US\$. Vision 2025 also calculated that Pakistan every year loses 4-5 billion US\$. Calculations on the basis of 4 billion US\$ gives us a figure of 80 billion US\$ for the next 20 years. So a safe conclusion is that in the absence of investment in the energy sector, Pakistan would be suffering a loss of 80-120 billion US \$. These estimates were made on the basis of 2013 data of energy crises.

In 2018, the power demand increased. In 2013, the total demand for electricity was a little higher than 20 thousand megawatts and in 2018 it is over 25 thousand megawatts. If there was no investment in the energy sector, then the cost of crises must have increased. Maybe, it has touched 4 percent or more of the GDP. This is an overall loss to GDP but if we include the social cost then figures may be worse. On the social side, Pakistan has witnessed riots due to the non-availability of electricity. People started to question the government and its role in the provision of basic necessities.

Let's take infrastructure into consideration. It is a well-known fact that infrastructure was under tremendous pressure due to the war on terror in Afghanistan. Pakistan, being a front line ally was providing transit facility to ISAF. Owing to enormous heavy traffic, road structures started to deteriorate. Pakistan was in dire need of investment for transport infrastructure and CPEC provided that opportunity to Pakistan. In 2012, the National Highway Authority (NHA), informed National Assembly that Pakistan needs 1.5 billion US\$ for the rehabilitation of road infrastructure. Furthermore, NHA highlighted that a huge investment is required due to the deterioration of the transport infrastructure because of the overloaded NATO containers. This estimation did not include the cost incurred by private vehicles due to bad infrastructure.

It is common sense, that the energy and transport infrastructure, are the backbone of an economy. Sustainable supply and affordable energy are

fundamental for increasing the competitiveness of industry and business. Un-sustainability of energy weakens the trust of trading partners by introducing the problem of timely availability of commodities. It leads to lower industrial and economic activities, which contributes to unemployment. Transport infrastructure is a critical factor in the supply of products. The lower quality or deteriorated infrastructure increases the transport cost and time of supply. It also introduces wear and tear losses to products and vehicles.

The importance of good infrastructure can be seen in the role it has played in the development of developed countries. Germany enjoys one of the best transport infrastructures and it receives a dividend in the form of more economic activities. The US, after the 1950s heavily invested in the development of transport infrastructure. It led to a boom in the economy and introduced many businesses. History also tells us that transport infrastructure led to the creation of new economic centers and even urban areas along the road. The most, prominent example of the importance of infrastructure is from China. It revolutionized its transport infrastructure in the last four decades. Moreover, the business community also wants to invest in countries that have better transport infrastructure. It plays an important role in making a decision for investment. As, we are witnessing now, in the trade war between the US and China, some companies wanted to relocate their industry, but they did not. One of the reasons was the quality of the transport infrastructure in China in comparison to other countries.

CPEC is helping Pakistan to improve both sectors. Imagine a scenario, where the energy crises were worsening at the same pace, as it was in 2013, then what would be the state of our industry and society. What would be the state of export, which has decreased, already? Therefore, for any analysis of CPEC, we also need to take into consideration the opportunity cost of no CPEC. There is no doubt that what has been invested by China in Pakistan, we will have to pay back with interest rates. It is not a new phenomena; every investor wants to make a profit and get a return. However, point to be noted here is that without CPEC, Pakistan would be losing 80-120 billion US\$ due to energy crises, alone. Infrastructure cost

would be in addition to energy cost and the social cost still needs to be calculated.

From: Daily Times Lahore, December 29, 2018
<https://dailytimes.com.pk/338278/opportunity-cost-of-no-cpec/>

Joint Working Group of CPEC and Quest for “Shared Destiny”

All efforts are now being geared up to make the joint working group meeting a successful event. The government of Pakistan is busy devising proposals that can ensure sustainable development in the country. The new government is trying to make it more beneficial for Pakistan without compromising on interests of China. JWG meeting is also important in the context of the second phase of CPEC in which its scope will be expanded to areas like social development and skill development. China is now focusing to make CPEC a holistic program and include the most pressing areas according to the needs of Pakistan. This is in line with the commitment of China to help Pakistan survive through difficult times and make it a strong ally, a friend and a brother rather than making it a dependent ally.

In this backdrop, the Pakistani government is preparing for the next JWG meeting. The government intends to rationalize its demands and programs on the basis of sound facts and figures. A close look at the working of the government ministries gives us hope that they will be well prepared to devise a comprehensive program for negotiations with Chinese counterparts. However, there are few areas that need special focus and high priority i.e. industrial and trade cooperation, and agriculture sector along with social and skill development. These areas are critical in the context of present fiscal crises, higher poverty, and lower employment rates.

So, priority should be to mobilize resources for reforming and expanding the industrial base of Pakistan by engaging the public and private sectors

from China. It is a well-established fact that China graduated from the status of world factory to world laboratory. The cost of production has been increased due to an increase in wage rates along with other factors. It is estimated that about 75-85 million jobs will migrate to new destinations. Pakistan should devise a strategy around the available jobs and work on how it can bring many to Pakistan. It requires a detailed study of China's industrial sector and finds out which are the target industries for working with. It must also be taken care of what we are offering for the industry.

The development of the industrial sector is the key to providing sustainable and decent jobs. Pakistan should develop a proposal for engaging China and its private sector for shifting the industry to Pakistan. The plan must contain steps and strategies to provide basic infrastructure and required skills. Special Economic Zones (SEZs) provides an excellent opportunity to fulfill the dream of industrial development and cooperation between Pakistan and China.

However, presently SEZs' development is facing some problems which are hindering the rapid development of these zones. The present government is trying hard to overcome these problems but it is a time-consuming process. The government is trying to attract foreign investment by making investment policy friendlier for the business community.

Industrial development will require a sound trade policy for boosting export and ensuring the import of required raw material. Right now the country is suffering from worse trade deficit and it is contributing to deteriorating the financial health of the country. The government should engage with China on two fronts, first to refine FTA and second to seek help for modernizing industry and products according to the need of the international market. This requires close collaboration among the Ministry of Finance, BOI and Ministry of Commerce at the national level. Without a good trade policy, industrial development will be limited. Therefore, investment policy, industrialization, and trade policy must go hand in hand for better results.

The second important agenda item for JWG is the development of the agriculture sector. Agriculture has prime importance in alleviating poverty

and providing good livelihoods to millions of people of Pakistan. Owing to its critical importance, the government needs to be meticulous for devising any policy or engagement plan with China. The majority of Pakistani farmers are engaged in subsistence farming. Therefore, the government should not go for fancy plans or plans favorable for big landlords. It must be devised according to the *need of small farmers*. Small farmers need better quality seed, fertilizers and most important regularized agriculture supply and demand chain. The government should seek assistance for the provision of quality inputs and the market for small farmer's products. Quality inputs will help small come out of the trap of subsistence farming and make them able to produce for the market. Moreover, the Government should link the agriculture plan with the social development plan and ask China for helping to improve the lives of small farmers.

The strategy for the engagement of big farmers should be different from small farmers. Large farmers can be engaged by introducing the concept of joint ventures. The government should ask China to identify larger farmers from China and help develop linkages with local large farmers. This venture can be a business venture, where investors act according to business needs.

A point of caution is that the government should not mix small farmers with landlords, as it always has been the case. In the past, big farmers benefited at the name of small farmers. Pakistan must learn from the concept of 'Targeted Subsidies' from China, as they have already applied in their efforts to curb poverty. The targeted approach should be applied to the social development program. There is a strong need to change the existing social development approach in Pakistan. Right now, we are engaged in publicity stunts and bartering votes at the name of social development. Moreover, social development programs are being designed by international experts and national with minimum or no input from the community. Pakistan can also learn from China how to refine it according to the need of people.

Lastly, skill development is an area, which will determine the fate of industrial development and agriculture modernization. Pakistan is lagging

behind in this field with a huge margin. Now China has offered Pakistan to invest in skill development Pakistan capitalize on this opportunity and should not waste time red-tape practices. Moreover, Pakistan also has to eliminate biases in existing skill development. One must hope that both governments will consider these points as it is required to shape the ‘destiny ‘of the people of both countries.

From: Daily Times Lahore, December 15, 2018

<https://dailytimes.com.pk/333570/joint-working-group-of-cpec-and-quest-for-shared-destiny/>

Eco-Civilization, BRI Summit, and CPEC

“We will never again seek economic growth at cost of the environment”, President Xi Jinping, 2013. This gave the first hint of President Xi’s intentions to re-shape the growth and development model of China. He promised to create harmony among human-life, economy, and planet for sustainable prosperity. He adopted the term “eco-civilization” to attain this dream of harmony and is working relentlessly to make eco-civilization a reality. Basic ingredients of eco-civilization are resource efficiency, environmental considerations, and prioritization and prosperity for everyone without any discrimination. China has quickly moved to develop guidelines and principles for achieving the objectives of eco-civilization. It is one of the signature initiatives of President Xi.

Another signature initiative of President Xi is the Belt and Route Initiative (BRI) for sharing China’s fortune with other countries. President Xi is making it a priority and promoting the initiative as it is beneficial for everyone. He claims that it would be a means to achieve “shared prosperity”. As the President promised in 2013, environment and harmony would be the key to future growth and development. Now President Xi is creating instruments to fulfill his promise through BRI.

The second summit of BRI strived to find a pathway for sustainable development in accordance with the concepts of eco-civilization. China launched a number of major initiatives for paving the way to achieve the goals and objectives of eco-civilization. The work started with the signing of “Green Investment Principles” by financial institutions of China, the UK, France, Pakistan, and some other countries. It was considered one of the landmark achievements of BRI on the environmental front, as it will

help amass financial resources to actualize the vision of green development.

China also launched the ‘Green Development Coalition’ comprising of 25 countries and some international organizations, think tanks and civil society organizations. Pakistan, again, is a member of this coalition. The purpose of the coalition is to build a network for research, experience sharing, and means to achieve the Agenda 2030 under the SDGs. The Chinese Academy of Science also pitched the Silk Road Environment Program. Moreover, China announced that it will train 1500 officials in the coming three years under the program “Green Silk Road Envoy Program”. Another landmark program was the launch of the “Big Data Platform”. It will be a huge intervention to tackle issues of environment and climate change in the coming days. Data is the key to formulate sound and focused policies for achieving desired results. Ministry of Ecology and Environment also established a Belt and Road Environmental Technology Exchange and Transfer Center. National Development and Reform Commission introduced the initiatives of Green Lightning and Green Cooling initiatives.

China is also trying to create financial mechanisms to provide the required financial resources. On this front, the Everbright group of China is now planning to launch the Green Investment Fund along with international financial institutes. The Industrial and Commercial Bank of China organized the Belt and Road Bankers Roundtable Mechanisms. It also presented the Belt and Road Green Index, which was formulated in cooperation with other partners.

The list of initiatives and their nature clearly indicate China’s seriousness to promote green and sustainable development under the concepts of eco-civilization. It is encouraging to note that Pakistan is a member of almost all initiatives under the umbrella of green development and eco-civilization. This highlights the strong bond between Pakistan and China.

Pakistan can use this unique opportunity to reshape its model of economic growth and development and refine the CPEC programs. CPEC already has a good number of green initiatives like solar, wind and hydro-power projects, eco-tourism, etc. China and Pakistan are giving special

preference to green initiatives. Both countries have planned Long Term Plan of CPEC by giving due importance to green development and environment. It was envisioned that clean energy sources will be given priority in the future. Tourism will be strongly linked with concepts of eco-tourism. Tourism is a low hanging fruit and both countries can work together to showcase a unique model of cooperation in “Eco-tourism”.

Guizhou Province is one of the emerging and leading destinations for tourism. It is the host of the pilot project of the concept of President Xi’s Eco-civilization. Likewise, in Pakistan Gilgit-Baltistan is a well-recognized tourist destination. Both Guizhou and GB have similar geography. Both provinces have a huge potential in the sector of tourism. However, Guizhou province did a lot to exploit tourism potential, but GB is lagging behind. Pakistan can request China to assist Pakistan for the development of tourism in GB and declare these provinces as “Sister Provinces” and let GB learn from Guizhou.

GB is also very important in the context of the future flow of traffic between China and Pakistan for trade, connectivity, and tourism. It is predicted that there would be a huge flow of traffic in all categories e.g. heavy and light traffic. Usual business or traffic will introduce environmental issues. Both governments under CPEC can avoid this situation by applying concepts of Eco-civilization. Pakistan and China can introduce the program of electric vehicles in this area by giving incentives for electric vehicles. China already has a well-developed market for electric vehicles and the incentive systems. Pakistan can request China to share its experience and help Pakistan develop its own systems.

The second area of cooperation on this front can be “Industrial Cooperation”. The second phase of CPEC has been started with the formal launch of industrial cooperation. The industry is vital for reviving the economy, creating jobs, eradicating poverty and achieving prosperity. Pakistan and China can turn this industrial cooperation into “Green Industrial Cooperation” according to the core values of eco-civilization. However, this would require huge investment; therefore, both countries must adopt a stepwise approach. The first step should be to focus on enhancing the efficiency of the industry and also devising a policy for

resource efficiency. A technology shift would be required to enhance efficiency. For technology up-gradation or shift, a hefty amount would be essential and the Pakistani business community cannot afford it. China can assist Pakistan and encourage its industrial groups to venture into Pakistan in green joint ventures for bridging the gap of financial resources.

The second area of action would be the introduction of renewable energy resources. For that purpose, Chinese and foreign investors should be encouraged to venture in. Pakistan already has a renewable energy policy, but it has not been implemented in letter and spirit and thus has failed to produce the desired results. Moreover, it is not very industry or business-friendly; therefore, the government should refine it according to the needs of industry and green development. The third area would be the introduction of sustainable consumption policy and patterns in Pakistan. It should be supplemented by awareness-raising campaigns and behavioral change programs. The major hurdle in achieving these objectives would be the capacity and capability of Pakistan. Fortunately, this can be solved by benefiting from the different opportunities offered by the BRI forum like green coalition and envoy programs, etc.

No doubt to move on the path of green development according to the principle of eco-civilization would be a Herculean task but it is required. It will help both countries to counter criticism on the environmental front and realize the dream of achieving goals of eco-civilization. CPEC can be declared as a flagship project of “eco-civilization” like it was declared as a flagship project of BRI. It will provide a good opportunity for China to pilot the vision of President Xi by implementing CPEC according to the concepts of eco-civilization.

From: Daily Times Lahore, October 6, 2020

<https://dailytimes.com.pk/674839/eco-civilization-biodiversity-summit-and-future-of-cpec/>

CPEC: Corridor of Peace and Prosperity

Last few years witnessed a phenomenal development in Afghanistan on multiple fronts. However, the single biggest development is on the peace process. Peace which is much needed coming back to home. USA and Taliban after a series of intense negotiations have now announced that both parties will sign peace deal on 29 February 2020. The news brought smile on faces of million Afghanis living in and outside of the country. Everyone is cheering the news. Hopes are pinned to peace and everyone is hopeful that peace deal will help to remove remaining obstacles and deliver absolute peace and pave a way for sustainable development. The belief and hope are further strengthened by the evolution of democracy in country. Although democracy is nascent, but it is making good progress. Afghanistan is trying to become a democratic country and democratic institutions are evolving slowly and steadily. People of Afghanistan are now pinning their hopes on peace deal, democracy and peace for their prosperity and wellbeing.

Government of Afghanistan is cognizant of the fact that without economic opportunities for people, dream of prosperity and wellbeing would not be materialized. Besides, peace will not be sustainable without sustainable development. It is also necessary because people are facing multi-dimensional problems. Poverty is very high (MPI 51.7%). There is no job security. Skill levels are not according to need of markets. Food insecurity is prevalent and according to WFP 2019, 12.5 million are severely food insecure. Access to affordable and reliable energy is another area of concern. These factors negatively impacted the human development index of country and Afghanistan falls at bottom on human development index (170). But it is interesting to note that Afghanistan is one point higher than

Pakistan on human capital index. Afghanistan is at 133 and Pakistan is at 134 position. Furthermore, natural calamities are also playing a role in deteriorating economy. In 2018, GDP growth dropped below the 2 percent. Major reason of this dwindling performance of economy was severe drought. It harshly impacted agriculture, which is one of the major sectors of the national economy.

Owing to multiple and multi-dimensional problems Afghanistan needs a comprehensive policy and strategy. It is good to know that it has developed national strategy with the name of “Afghanistan National Peace and Development Framework”. However, Afghanistan needs to create economic and livelihood opportunities for its people on urgent basis. It is pertinent to highlight here that economic opportunities can only originate from economic development, trade, regional connectivity, knowledge, skill development opportunities etc. Hence, government of Afghanistan should actively strive for creation of these pre-requisites for creation of economic opportunities for the people of Afghanistan.

It is hearting to know that international community and organizations are aware of the state of development of Afghanistan and its' needs. There are good number of initiatives which are focused on the development of Afghanistan. Although they have different methodologies and ways of implementation, but the purpose is same. Few initiatives are Ministerial Conference on Afghanistan, World Bank EU, European countries, Saudi Arabia, etc. Heart of Asia was started with the hope to solve issues of Afghanistan including economics problems. Heart of Asia forum created different group under its umbrella. Major initiatives along with other are on infrastructure, trade and commerce, investment and development of human capital. This forum is also helping to normalize the political and security situation in country. Afghanistan is also getting assistance from other partners and friends like USA, UK, Germany and others. A good number of international development organizations and agencies like USAID, DFID etc. are also helping. UN also generously help the country. World Bank is helping to implement the Afghanistan National Peace and Development Framework. Ministerial Conference on Afghanistan in 2016 also promised to provide US\$ 3.8 billion on annual basis.

Nonetheless, Afghanistan needs more resources and avenues for meeting the demand of country. In this context China-Pakistan Economic Corridor (CPEC) emerged as a unique, prime and most ripped opportunity. Rapid development of CPEC and sharing of the dividend among people of Pakistan further strengthened the trust of people of Afghanistan to build linkages with CPEC. World Bank report on BRI and CPEC highlighted the potential benefits. Report shows that Afghanistan can benefit by becoming part of BRI. Now government of Afghanistan is preparing herself to be part of BRI through CPEC. Afghanistan is also delving on ways, how Afghanistan can act as efficient and reliable partner for linking CPEC to Central Asia.

However, Afghanistan is also cognizant of the reality that Afghanistan will have to work on multiple areas including investment on the capacity building, Ease of Doing Business and good infrastructure etc. Unfortunately, Afghanistan does not have required resources to invest. Thus, China and Pakistan will have to come forward and take few steps by adopting a systematic approach. First of all, a tri-lateral forum should be established to devise future policy for cooperation and turning CPEC into an opportunity for Afghanistan. Forum should be assigned task to devise policy guidelines and plans for inclusion of Afghanistan in all areas of CPEC. The broader objectives of forums should be as;

1. To build capacity of Afghan officials and other stakeholders
2. To steer the process of inclusion of Afghanistan in CPEC
3. To act as platform for open discussion, dialogue and engagements
4. To devise policies and plans for making it win-win proposition
5. To give inputs on the performance of CPEC in the context of three countries
6. To promote social and cultural exchanges

Forum should be structured at two levels. First it should only include government institutes and ministries. It should be led by Ministry of Foreign Affairs and Focal ministry for CPEC. Second, thinks should be included for policy input and guidelines. Pakistan and Afghanistan will

have to make sure that the forum is immune to political; security and diplomatic situation and it would be remained operational in all situation.

Second, China and Pakistan should dedicate resources for skill development in Afghanistan. Private sector should also be encouraged to invest in skill development. Pakistan can start capacity building with and through alumnus of different Pakistani institutions. It is known fact that hundreds of thousands of Afghan studies in Pakistani institutions. Pakistan should start tracing all alumni and develop a comprehensive alumni network. These alumni have good understanding of Pakistani system and therefore, it would be easy to train them. Third private sectors from China and Pakistan should also be encouraged to establish their business in Afghanistan. It would be very important because it will enhance confidence of Afghanistan on Pakistan and China. Besides, it will also help to promote soft image of Afghanistan.

Fourth, China and Pakistan should design a low hanging segment for Afghanistan, as it was designed for Pakistan. For example, during first phase of CPEC infrastructure was targeted. It really helped Pakistan at multiple levels. It created jobs, especially for un-skilled labor. It gave an impetus to GDP growth rate. Similar program should also be designed for Afghanistan, it will provide a moment of relief to war torn country and its people.

Lastly, Afghanistan should start working with Pakistan to turn this opportunity into reality. Pakistan has offered many times and has shown seriousness in its offer. Pakistan genuinely want to assist Afghan brothers and want to be partner in development. It is good opportunity to sustain peace and development in this region. Economic development and integration will help to smooth relation and durable peace in region.

Second Phase of CPEC and the Role of CPEC Authority

Prime Minister Imran Khan led a delegation to China on October 8-9, 2019. The PM and his delegation spent extremely busy days interacting with multiple stakeholders including civil, military and business community. The prime agenda of the visit was to find an efficient way for the implementation of CPEC and enhance bilateral cooperation. PM engaged in meetings with government officials and the private sector with the objective of clearing the conspiracies, to share future economic and CPEC plans and concrete steps to resolve the issues. It is now an open secret that CPEC related interventions had been facing some serious hurdles as the process advanced during its second phase. Business community from both sides of the border had complaints regarding the issues. The second phase started at a very interesting time, the old government was leaving office and new was taking over. From the very first day the incumbent government championed the CPEC project. However, like other stakeholders it could not fully comprehend the dynamics of second phase. Lack of understanding of second phase created real problems, which led to a slowdown in the speed of implementation. Therefore, it is critically important to first understand the dynamics of second phase before devising any policy for implementation.

The second phase would venture in seven areas: a) enrichment; b) expansion, c) financial and insurance services; d) eco-tourism; e) agriculture; f) joint ventures in education; and, g) industrial development. Enrichment will lead to expansion in existing initiatives in the fields of energy and transport infrastructures like ML-1 railway line and investment

in new energy projects. Expansion means inclusion of new areas like social development, poverty reduction, human capital development, tourism, educational cooperation and assistance in agricultural sector etc. Unfortunately, we are stuck in the first phase and could not think beyond the infrastructure related projects. We have just started programs in the sector of social development and are laying the roadmap for skill development. Though according to CPEC's long-term plan, the major thrust of second phase will be laying the foundation for the expansion of industrial base through Special Economic Zones (SEZs).

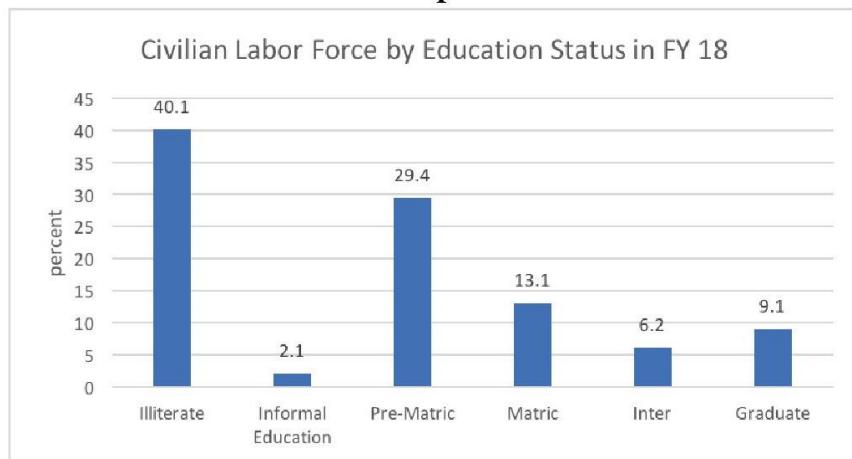
Regrettably, Pakistan is stuck on SEZs, and lip service has remained the main tool to implement SEZs. Pakistan could not focus on the most urgent needs. The first crucial requirement was a comprehensive policy and implementation framework. After the six years of inception we only have Ordinance, 2012. The ordinance was devised well before the inauguration of CPEC, therefore, it does not cater the specific needs of SEZs. Owing to lack of policy and work on SEZs, after six years of inception of CPEC, Pakistan has been unable to operationalize any SEZs. The most advanced Rashakai Economic Zone is without the basic services like electricity, sanitation, and roads etc. which are the pre-requisite for any business.

This situation is troubling for business community and other partners. Investors visit Pakistan with the hope that they will be able to find some good opportunity in SEZs, but they go back after learning the status of SEZs.

Another area of critical importance is skill development for industry and other sectors. Pakistan is facing glitches on the skill development front. The picture becomes more disturbing when we look at the status of Pakistan on global human capital and human development index ranking. It falls among low human capital and human development countries. Pakistan was ranked at 134 among 157 countries on human capital index. It presents a grave situation as it is a well accepted and recognized fact that human capital plays a key role to transform any economy or society. A quick analysis of developed and rapidly developing countries clearly spells out the importance of human capital. Owing to low quality of human capital CPEC is also suffering. Chinese companies have trouble finding

the required skills in the domestic market; therefore, they have to import personnel with required skills from China, which gives rise to conspiracy theories and even some interest groups start to compare it with East India Company. Moreover, low skill development also leads to unemployment. The poor state of skills and labor force can be assessed from the latest publication of Labor Force Survey of Pakistan. According to the survey, apart from the lack of skills, the majority of available labor force is uneducated or the level of education is very low. It is estimated that 40 percent of labor force is illiterate. Moreover, literacy level of 74.5 labor from educated class falls below matriculation (Graph 1).

Graph 1

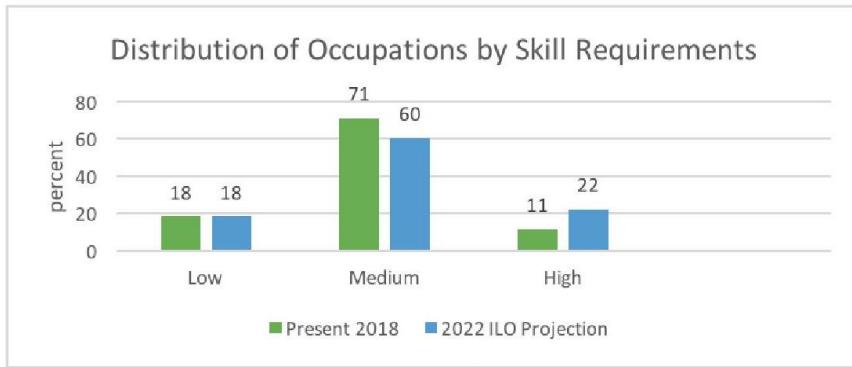


Data Source: Labour Force Survey 2017-18 and Pakistan Bureau of Statistics

Using data from the International Labor Organization (ILO), the survey concluded that job creation in Pakistan is mostly tilted toward low and medium levels of skills (Graph 2). It is a very interesting aspect as it tells us that Pakistan is struggling between primary and secondary stages of economic development. The distribution of labor among the three leading sectors of economy namely: agriculture (42.3%), industry (22.6%) and services (35.1%) further clarifies the situation. The problem becomes complicated when we look at the contribution of these sectors to the national GDP. Services sector's contribution (60.3%) is way ahead of agriculture (18.86%) and industrial sectors (20.9%). This prompts a very important question: why is the share of services in GDP (60%) higher if

we are still struggling between primary and secondary sectors of economic development? The answer has three dimensions. First, we never planned the economy according to our development status. We love fancy slogans and lose our focus. Second, in services sector major contributors are telecom industry and financial sectors, which are unequal in distribution of income. Third, unskilled labor is engaged in personal services like domestic servants, auto workshops, and barbers, etc.

Graph 2



Data Source: Labour Force Survey for 2018; ILO for 2022 projections

The most thought provoking aspect of labor data is that 55.72 percent of total population above the age of 10 years does not fall in the labor force (Table 1). This is very strange because it shows that dependency ratio would be very high. Higher dependency and low income contribute to higher poverty and low living standards.

Table 1

	Total	Illiterate	Literate	Informal Education	Pre-Matric	Matric	Intermediate	Degree and Postgrad
Population above 10 years (%)	100	37.73	62.27	1.55	36.27	11.94	5.93	5.96
Employed (%)	41.72	17.17	24.55	0.87	12.42	12.42	2.43	3.39
Unemployed (%)	2.56	0.58	1.99	0.04	0.59	0.59	0.32	0.66
Not in labor force (%)	55.72	19.99	35.72	0.63	23.87	23.87	3.17	1.91

Another pre-requisite for enhancing economic and business activities is improvement in financial and insurance sectors and efforts to make it compatible with the Chinese system. Although Pakistan is trying to move quickly, the progress is not up to the mark. Pakistan and China have signed money swapping agreement, but the volume is low at this point in time. Both countries are trying to increase the volume and we hope it will be in a good state in the next few years.

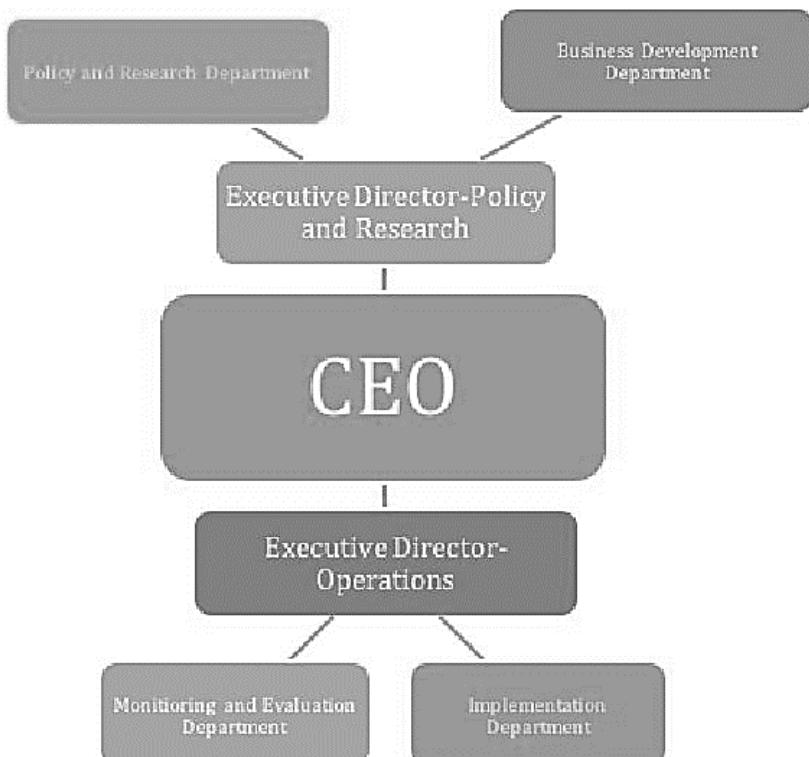
Against this backdrop Pakistan is entering the second phase of CPEC. A bird's eye view of facts tell us that we are lagging behind in creating an enabling environment for business and development of skills. Moreover, the ease of doing business is still in a miserable state. Although the ranking is increasing but ground level actions are not complementing the claims of improved ease of doing business. On top of that, the speed of planning and designing intervention is also very slow.

However, it is heartening to find that the government has started to ponder on how Pakistan can make CPEC a success story in our endeavor of economic revival and development. It is trying to tackle the most pertinent issues and hurdles which are hindering the rapid implementation of projects. The government is putting in a lot of effort to smooth over the process for CPEC. This is why the Prime Minister has created the CPEC

Authority to address and mitigate the issues related to the execution of the project.

The authority is an autonomous body with immense financial and administrative liberty. It will directly report to the PM as he is the Chairperson of the authority. Day to day business will be run by Chief Executive Officer (CEO). The CEO will be assisted by two Executive Directors who would be heading two wings: research and operations. Building on the structure proposed in the ordinance, it is suggested that each Executive Director should be assisted by two departments for efficient working (Figure 1).

Figure 1



The creation of the authority is a good step, but the real change will start with recruitment and functioning of the authority. Government needs to be

innovative in developing authority. It should be staffed with people who have a good understanding of China's economic, development and governance models. Chinese models are different from the liberal economic and governance models, therefore, the experts who have good credentials in liberal economic and governance cannot be a good choice in dealing with China. The critical element of staffing would be to induct people with innovative ideas and have open minds. Pakistan should not induct those who are lost in past glory or liberal order.

Government is also offering some concessions to the private sector in tax regime. It is offering special packages for investment in SEZs and tax holidays for investment, especially in Gwadar.

The Prime Minister has taken these steps because he believes that without building confidence and creating an enabling environment for business Pakistan would never be able to revive its economy. However, one needs to be careful about doling out favors to business community and stakeholders. He should categorize all demands of business community and stakeholders in three categories: a) needed favors/steps; b) demands; and, c) undue demands.

The needed steps should be taken immediately. For example, business community demands that ease of doing business should be improved, the government should act on it and provide a conducive environment for economic activity. The demands to cut taxes or give special licenses or special provisions should be analyzed on merit and the government should only provide feasible concessions. The demand for liberty from all types of taxes and a free hand to do business according to their own will or reluctance in registering business is undue and should not be met.

Similarly, the government should also develop mechanisms, where big businesses are given tasks to meet economic and social targets of the state. For example, the government should introduce some program for developing connections among big business groups, SMEs and cottage industries. Government should tag benefits with a number of SMEs and cottage industries being uplifted by big business groups. Second, the government should also look at "social partnership" model of Germany.

Business groups and SMEs should be encouraged to invest in human capital development through multiple programs like apprenticeship etc.

It is high time to introduce these reforms or ideas. The government should start to pilot these ideas in the proposed SEZs. Linkages between business groups, SMEs and cottage industries will help in the trickle down of benefits of economic growth. It will also encourage the local communities to be a part of SEZs. In the long run it will help create ownership among the local communities and mitigate negative perceptions. CPEC Authority should be assigned tasks to deliver on this front.

Lastly, the government should develop long-term agenda of reform and economic development. Long-term agenda should be divided in four stages: low-hanging fruit, short-term, medium-term and long-term. Each phase should be tagged with a GDP target (Figure 2).

Figure 2



Pakistan should adopt a systematic approach and try to build step by step. The country should depart from the revolutionary approach and try to be

rational in its agenda setting and adoption of implementation tools and approaches. Moreover, Pakistan should assign specific targets to the second phase in overall agenda and avoid pinning all hopes on the second phase of CPEC. The purpose of this suggestion is that Pakistan must also work on other avenues and find new opportunities as diversification of opportunities will help us to grow faster.

From: Monthly Hilal Rawalpindi,

<https://www.hilal.gov.pk/eng-article/second-phase-of-cpec-and-the--role-of-cpec-authority/MzkwOQ==.html>

COVID-19 and Expansion of CPEC?

The propaganda outlets always paint a very scary and dismal picture of CPEC. They always look for opportunity to criticize CPEC even they are not hesitating to use COVID-19 for their purpose. Although COVID-19 and CPEC has no link but they are hell bent to exploit the situation. First it was propagated that CPEC workers are in danger due to COVID-19, which proved wrong. There was not a single case. Chinese government took extra measures to makes sure that COVID-19 does not affect any worker. It had placed double quarantine measure. Now a campaign has been launched to spread fake news about the progress of second phase of CPEC in the context of COVID-19. It has been continuously fed to media and special media that progress has been slow down due to COVID-19. But the reality is different.

Rather, Pakistan and China are working to expand the scope and areas of work under CPEC. During the recent visit of President of Pakistan to China, both countries signed two forward looking memorandum of understanding (MoUs) to establish two new working groups. Although, the visit was a solidarity, but two countries used this opportunity to further strengthen the CPEC.

The new working groups, agriculture working group and Science and technology working groups are designed to cater for present and future needs of Pakistan. Agriculture group will help to solve present day issues of agriculture and provide guidelines for rapid development of sector. The science and technology group will help Pakistan to look for its share in fourth industrial revolution.

Moreover, second phase of CPEC is also getting acceleration with every passing day. The progress can be observed in multiple areas. Currently, 40000 Pakistani and 7000 Chines workers are performing their duties with dedication. The number of workers indicate the volume of work, which is going on. It clearly depicts that there is no break and work is going on, on all CPEC projects. Besides, it has been calculated that CPEC would produce almost 2.3 million jobs till 2030, which are direly needed in case of Pakistan, as Pakistan has huge youth bulge.

Both governments have also enhanced the speed to launch different social development projects. Currently, governments have finalized the 12 social economic development programs out of 17, under second phase of CPEC. These programs are ready to be launched anytime. These programs will give a huge impetus to income generation activities and curb poverty in Pakistan. The major beneficiaries would be skill development and agriculture sectors.

The social and economic development programs also give a special importance to marginalized areas. For example, Gwadar, which is one of most backward area of Pakistan has been given special focus. A model school is under construction here and it has been predicted it will be completed before the deadline. A special vocation training institute is also under construction. It has been designed to create more job opportunities for local communities by providing them better skills. The institute will be functional before August 2021. Mr. Zhang Baozhong, Chairman, Chinese Overseas Port Holding Company (COPHC) pointed out that this institution is direly needed here in Gwadar. He is confident, this institution will help local communities to find decent jobs in coming years. Moreover, it will also help to attractive foreign investors in Gwadar and special economic zone. Besides, work on desalination plant is also going on with full speed. It will be completed soon and will provide 1.2 million gallons of water on daily basis. China also envisioned to help to establish a nursing school and medical college in Gwadar

Mr. Zhang further added that private companies and SOEs like COPHC are also contributing to uplift the lives of locals through jobs, education,

environment development and health etc. According to him, presently, there are 600 permanent employees of COPHC of which 588 are Pakistani. COPHC is also contributing in education sector. It has built a school in one of the most backward area of the country. By keeping in mind, the development status, school's capacity was kept 150. However, it was pleasant surprise that during the second year the total number of students were 720. Now COPHC is expanding the capacity and new building will entertain 1000 students.

Mr. Zhang also highlighted that COPHC is also investing on environment. The company has joined the official "Clean and Green" campaign of Pakistan. Last year COPHC has planted 400000 plants across the port and Gwadar city. We have committed to plant 1 million plants in next five years. We are putting efforts to keep port and city clean. Although our efforts cannot fulfill the demand of area, but we are determined to play our part and contribute what we can. This is story of one company, we can find similar examples from other companies under the CPEC. He concluded by saying that CPEC work is getting momentum with every passing day. It is priority and commitment of all companies to complete work even before the deadline, even during the COVID-19 we are not compromising on speed of work.

Chinese government is also extremely committed to help Pakistan to implement CPEC. The commitment can be seen from the efforts of China, even during the spread of COVID-19, China spared time to invite President of Pakistan and signed two extremely important MoUs. Although, China is going through testing times, but China is putting efforts to expand CPEC. The efforts of both governments give confidence that the CPEC will be implemented on time and there will be no delay as it is being propagated. The commitment of Pakistan has also improved, and it is evident from the establishment of CPEC Authority. Pakistan is trying to imply all required instruments to make CPEC a success story.

In this backdrop we can say, negative propaganda seems unfair and based on malicious intents. The purpose of which is to undermine the importance of CPEC and create hurdles for the development of Pakistan. However, it

will never be successful because CPEC is not joint venture between governments, it is joint venture among the people of China and Pakistan.

From: Daily Times Lahore, April 13, 2020
<https://dailytimes.com.pk/594519/covid-19-and-expansion-of-cpec/>

Future Framework of Cooperation

Fortunately, a positive sign for cooperation has started to emerge. The first positive development is G-20's meeting for chalking out a way forward to work together to fight the COVID-19. G-20 leaders also discussed how the severity of economic impacts can be lessened and speed up the recovery of the economy after the COVID-19. The consensus to pledge of US\$ 5 trillion for fiscal stimulus is a good initiative. This stimulus would be in addition to what countries are already announced at the domestic level. It is a good announcement, but the question is how governments will deliver on it? Can BRI help countries to bridge the gap?

China has shown the intent to contribute through the inclusion of countries in BRI. BRI has always been an open initiative and China is contributing generously. It has already committed US\$ 1 trillion for different projects along the BRI corridors. It is predicted that China will bring this figure to US\$ 8-9 trillion till 2030. The contribution of BRI has recognized by the UN as it is contributing to different goals of SDGs like decent jobs, infrastructure, policy coordination, energy for all, connectivity etc. under auspices of the UN. That is a really good opportunity for the world to capture. Moreover, China has also announced that it will continue to open the economy. It will also increase imports to give support to the global system. However, the fundamental question would be how to create a win-win situation.

BRI+ Development Initiative

As we know there are needs of huge financial resources to recover from the shocks of COVID-19. Countries are already struggling to meet the

basic requirements of infrastructure and lay down programs to combat climate change. The resources are scarce, and demand is huge. It is beyond the capacity of any country to tackle all issues single-handedly. The strategy for creating their own initiative and alliances is not helping countries. It will lead to negative competition and wastage of resources. As we are witnessing right that the countries are spending more time to undermine each rather than focusing on positive output and outcome. The situation urges world leaders to come out of cold war mentality and start to pool their resources at one platform, for better utilization and results. It would be a win-win situation for everyone if they join hands for a common future.

BRI presents an avenue to start with. BRI is the biggest program of infrastructure in the history of the world. Therefore, China should take a lead for creating a new platform by forging partnerships with other countries and initiatives. China should present BRI as a harbinger of a new platform and create windows of linkages and joint working with other initiatives. The most relevant programs for building cooperation are Better Utilization of Investments Leading to Development (BUILD), by USA, Asia-Africa Growth Corridor (AAGC) by Japan and India, Middle Corridor, by Turkey, Eurasia economic development by Russia, etc.

There are two other initiatives, which are on halt at the moment, Trans-Atlantic Trade and Investment Partnership (TTIP) and Trans-Pacific Partnership (TPP), which has huge potential to create linkages with BRI. It was suggested by some experts that BRI, TTIP, TPP are complementary to each other, as BRI focus on hard infrastructure and TTIP and TPP focus on soft side economy.

The pooling of resources will help the world on two fronts, 1: it will reduce duplication of efforts, 2: lessen the negative competition among all countries. We propose to create a new fund with the name of “A-Political Development Fund” by pooling resources from all these initiatives. We are cognizant of the fact that countries will continue to run their separate programs, therefore, we suggest countries should divert 50 percent resources from their initiative to a new fund. The new fund should be constructed on the principles of equality and prosperity. The humans must

be at the center of all activities. The politics should be kept out of the fund. Countries can continue to play politics with remaining parts of their programs. We strongly hope that the new fund will pave a way for more human oriented action with fewer politics.

To absorb economic shock, set up SEZs

CREATIVE COMMONS

ISLAMABAD: Pakistan's economy is in a shambles. It is struggling to find ground. International lenders and partners are looking for repayment of their debt.

Livelihood opportunities are scarce, absolute poverty has gripped 25% of the population and large-scale industries' production is on the wane. Agriculture production is facing formidable challenges and exports are not picking up pace.

In a nutshell, the government is struggling to bring the economy back on track. Earlier, there were some signs of improvement, but the economy suddenly took a beating with the emergence of Covid-19 pandemic.

Coronavirus has posed multiple challenges to every sector of the economy. It is feared that exports will go down as major export destinations of Pakistan have been struck hard by the Covid-19.

The United States, United Kingdom, Germany, Spain and Italy are Pakistan's major export destinations, along with China, but these countries are going through the worst phase of the pandemic. Thousands of people have died there and their economies have suffered immense losses.

Millions of people have filed jobless claims in the US. It is predicted that the impact of the virus will be felt for a longer period of time. These factors will hurt the purchasing power of consumers, leading to lower demand for imported commodities.

It will have negative implications for Pakistan's exports. We tried to foresee the impact by building three scenarios.

Conservative estimates show that Pakistan can lose \$617 million (10% shock), \$1.2 billion (20% shock) or \$1.8 billion (30% shock) in export revenue in three months (April-June). The situation can be more complicated if export destinations do not come out of the Covid-19 shock soon. The impact on exports will directly hit the export-related industries, resulting in closure of businesses and joblessness.

Agriculture will be another sector that will bear the brunt of Covid-19 devastation. It has hampered harvesting as Rabi crops are at the picking stage. Lockdown in the country is making it extremely difficult for farmers to go for smooth harvesting.

Apart from this, agriculture is threatened by climate change. It is certain that rains in the past two months will push down production and affect the quality of produce.

We built four scenarios by assigning a certain percentage of shock. Scenario-1 covers 5% shock, scenario-2 10% shock, scenario-3 15% shock and scenario-4 20% shock.

According to these scenarios, the climatic factors can reduce wheat production by 1.35 million tons, 2.7 million tons, 4.05 million tons and 5.4 million tons respectively. It will restrict per capita wheat availability to 111 kg, 105 kg, 99 kg and 93 kg respectively.

Inclusion of post-harvest losses will further lower the per capita wheat availability to 105 kg, 100 kg, 94 kg and 89 kg respectively for the four scenarios.

The situation for other major Rabi crops such as gram, potato, onion, etc is also not very good. It is feared that output of all these crops will fall. The situation will turn grim if the potential loss due to locust attacks is included.

The Covid-19 and climate change will have a damaging impact on Pakistan's economy. Major repercussions will be felt in income and jobs of people, businesses and inflation.

Industrial closure due to lower exports will create joblessness in urban and semi-urban areas. It will increase urban poverty.

Poor performance of the agriculture sector will slash income and revenue of the farming community. It is feared that rural poverty will also increase and lower production of agricultural commodities will trigger price hike, especially in food items.

Owing to the global spread of Covid-19, it has made it difficult for Pakistan to look outside as all countries are going through this shock. It has been forecast by the IMF, World Bank and World Economic Forum that repercussions of the Covid-19 will be felt for longer periods. They see trade as a major victim with overall impact of \$2-3 trillion.

Silver lining

Fortunately, Pakistan can absorb the shock and recover by focusing more on the China-Pakistan Economic Corridor (CPEC). However, it will require visionary planning and rigorous implementation.

The government would have to look for low-hanging fruits according to needs of the country and divert attention and resources to those areas without compromising on long-term goals.

At present, Pakistan needs to create jobs and business opportunities to make up for the loss of business and employment. CPEC can help to create jobs which will, in turn, spark business opportunities by stimulating domestic consumption.

For that purpose, the government should immediately start building the Special Economic Zones (SEZs) under CPEC. It will give a boost to the construction sector and provide job opportunities.

The government should also take steps to forge backward linkages with the SEZs. It will give a fresh impetus to the construction sector as well as bring employment to the people. It is expected that only construction work will create hundreds of thousands of jobs, especially for the unskilled labour.

The completion of SEZs and backward linkages will have multiple benefits. First, it will bring investment in the country, which is direly needed at this point in time, and instill confidence in investors, especially from China.

Second, the forging of linkages will help industries to start the production process immediately. Most of the SEZs depend on domestic raw material for the production of finished products.

For instance, the industries in the Rashakai SEZ will mainly rely on agricultural produce and minerals from Khyber-Pakhtunkhwa as well as other parts of the country.

Similarly, the Allama Iqbal SEZ is being established for garment and textile production, which will require backward linkages with the cotton-producing areas and allied industrial areas.

The backward linkages will provide sustained sources of livelihood for the people. It will be a win-win situation in the short as well as long term.

In the short run, employment avenues will emerge and domestic consumption will get a boost. In the long run, investment will go up and industrialisation will be promoted.

Moreover, minimum government investment will be required in the SEZs as industrial units, office buildings and other structures will be constructed mainly by the private sector through their own resources.

Thus, Pakistan should start work immediately on all the SEZs. To ensure a smooth flow of investment, the country needs to improve the business environment by establishing efficient policy mechanisms.

In addition to this, the government should provide basic services like water, sanitation, electricity, gas, etc at a swift pace.

Pakistan must keep in mind that it cannot afford to lose this opportunity as it is the only available option in these tough times. The cost of loss of opportunities will be huge.

From: The Express Tribune Islamabad, April 20, 2020

<https://tribune.com.pk/story/2202022/absorb-economic-shock-set-sezs>

A new wave of progress for Pakistan under CPEC

Work on the China-Pakistan Economic Corridor (CPEC) has picked up pace in the past few months. We have seen a series of groundbreaking ceremonies and inauguration of completed projects. While every institution is playing its role and deserves appreciation, the real change can be attributed to the CPEC Authority. The authority has given a fresh impetus to activities and streamlined the work. Though every project is important, the groundbreaking and start of work on dams is the biggest achievement. Dams will help Pakistan to enhance its storage capacity, which is only 11 million acre feet (MAF) at present. It is lower than the required capacity and can only meet demand for 30 days in case of any emergency. Estimates suggest that during the period of 1980-2010 Pakistan lost 1,049 MAF of water due to a lack of storage capacity. It was equivalent to 10 years of canal water withdrawal in the country.

Dams have a multiplier effect on the economy in the form of cheap electricity for households and industries, food production and a sustainable flow of water throughout the year. Under CPEC, work has also picked pace on the Special Economic Zones (SEZs), Gwadar Port and many social development programmes.

SEZs are the key to materialising the dream of industrialisation. We have witnessed the inauguration of SEZs and acceleration of work on different SEZs. However, there is a need to do a lot more for operationalising the SEZs, especially in terms of policymaking and incentive packages. The business community makes investment decisions on the basis of policies and incentives. The other critical area is to create backward linkages with the SEZs. Such linkages will be a source of livelihood for many and help

to tackle poverty in the respective areas. For instance, the Rashakai SEZ can create business opportunities for the newly merged districts of Khyber-Pakhtunkhwa. It will help tackle poverty and promote peace through improved economy. The Gwadar Port and Free Economic Zone there have also switched to a faster mode. Gwadar Port has started operations and is facilitating transit trade with Afghanistan.

The transit trade through Gwadar is a step towards regional connectivity and beyond. The government has also announced a special incentive policy for the Free Economic Zone, which will attract investment in coming days. Work on eco-tourism along the coastal line is also in full swing.

Social development projects have also got a fresh impetus. China has already extended \$300 million for different programmes this year. It is worthy to note that \$100 million has been diverted to agriculture to meet urgent needs of the sector. The areas of housing and healthcare have been offered \$100 million each for meeting basic needs of people. The assistance is part of the overall social development programme under CPEC.

However, the government needs to be mindful that all such work will also attract criticism. Opponents of CPEC will try to hinder progress and slow down the speed of project implementation. A new wave of criticism on dams may start in the name of environment and water rights. Although Pakistan has developed a mechanism for water sharing, such matters will be raised for public debate. Thus, the government needs to be vigilant and work on these lines too.

It is advisable that all the political parties should join hands for a successful implementation of CPEC. The government will have to play the prime role by devising a mechanism for building consensus. It can consider creating a CPEC planning and execution group comprising representatives of all political parties. The key job of the group will be to steer the decision-making and implementation process. Second, the government should devise an engagement strategy to counter propaganda. The engagement strategy should not be mixed with the social media strategy and marketing strategy. Third, the government

should gather real-time and verifiable data and disseminate it among all stakeholders. Besides, it should seek suggestions based on facts and in line with development needs of the country.

From: The Express Tribune Islamabad, August 9, 2020

<https://tribune.com.pk/story/2258767/a-new-wave-of-progress-for-pakistan-under-cpec>

Pakistan's agriculture sector and CPEC

Looking back at the history of economic cooperation under the first phase of China-Pakistan Economic Corridor (CPEC) one notes two important points. First, that Pakistan could have better negotiated the terms of business with the Chinese private sector for energy projects and second, that CPEC is so far a predominately demand-driven initiative from Pakistan's perspective.

Unlike Bretton Woods institutions, China does not prescribe a panacea to its borrowers, rather it asks them to identify their priorities.

The PML-N had formed government promising an end to power shortages outage. The energy sector and road infrastructure were therefore its priorities for the first phase of CPEC.

Deciding that manufacturing was not going to be the sector where Pakistan would have a surplus to export to China or other members of the Belt and Road Initiative (BRI), Prime Minister Imran Khan asked for closer cooperation in the agriculture sector during his maiden visit to China in November 2018. The Chinese government agreed to cooperate. Thus, cooperation in agriculture sector was one of the areas mentioned in the Memorandum of Understanding (MOU) signed between President Xi and Premier Khan during that visit.

Building on that MoU the two countries signed a comprehensive framework agreement for agricultural cooperation in May 2019. The goals set in the agricultural framework agreement would be achieved over the next five years. These cover extension services, remote sensing and geographical information system and food processing and pre- and post-harvest handling.

The agreement also covers storage of agricultural produce, genetic resources of crops, livestock and poultry, selection and breeding of new breeds of animals and new varieties of plants, feed for fisheries and aquaculture, research and development of new high-yield varieties, precision agriculture and pest and disease control.

A separate MoU on combating foot and mouth disease (FMD) in livestock was the third signed during President Xi's visit to Pakistan. FMD has been hindering the export of meat and livestock from Pakistan. China agreed to provide technical assistance and support for establishing FMD free zones. This would help Pakistan venture into China's \$12-15 billion meat market.

Islamabad and Beijing signed an MoU for enhanced bilateral cooperation in science and technology, and agriculture during President Alvi's visit to China in March 2020. This MOU led to the creation of two more joint working groups, one on science and technology and the other on agriculture under CPEC (taking the total number of joint working groups to 10).

The most recent MoU outlines future cooperation but most importantly it is a living document and can be amended according to the need and changing dynamics.

The two countries have agreed to build a centre for sustainable pest management in plants in Pakistan, focusing on all-round plant protection cooperation, including monitoring and early warning technology, research and development, mutual recognition of standards (thus paving the way for enhanced food exports from Pakistan to China), personnel training and emergency prevention and control.

The agriculture sector has been facing a chronic policy-and-investment neglect. This is partly due to its reduced contribution to the GDP. It is also due to rapid urbanisation at the cost of cultivable lands and the fact that a majority of the farmers (owners of small landholdings) have no means to get policy maker's ear.

The MOU signed in March 2020 between Pakistan and China, amidst Covid-19 outbreak rightly focused on addressing some of the multi-dimensional problems that Pakistan's agriculture sector is facing.

Ninety percent of dietary requirements of 220 million inhabitants of Pakistan are met through domestic production. Amidst Covid-19 the food supply chain remained largely intact.

The MOU signed in March 2020, amidst Covid-19 outbreak rightly focused on addressing some of the multidimensional problems that Pakistan's agriculture sector is facing.

Besides providing technical assistance and support to enhance the research and scientific capacity and capability in Pakistan, China will provide scholarships to Pakistani students for studying agriculture in China. (Currently 28,000 Pakistani students are studying in China in various disciplines). This will be an important opportunity for future agricultural researchers to gain a firsthand knowledge of Chinese experience of ensuring food security for its 1.4 billion plus population.

Under the MOU China will establish several agricultural research laboratories according to Pakistan's needs. Access to state-of-the-art equipment in these laboratories would enable Pakistani scientists to bridge the theory-practice gap.

Technological cooperation to enhance the capacity and capabilities of the existing institutes for research is another area of cooperation. China has also agreed to an exchange programme to share and build on each other's capabilities.

Enhanced people-to-people contact through exchange visits will play a pivotal role in implementing various provisions of this MOU.

The MOU also envisages that China will assist Pakistan in building a certification and inspection capacity for agriculture and livestock products. This will enhance the country's capacity to implement the sanitary and phytosanitary (S&P) requirements (health and hygiene standards needed to be met for exporting agricultural products), that are likely to get tougher on account of Covid-19. A failure to meet S&P requirements might erode Pakistan's niche in agriculture as far as exports are concerned.

Pakistan needs substantial investment in agricultural supply chain management. We lack quality storage and transport facilities, especially cold storage facilities and refrigerated transport to handle perishable food commodities, especially meat and dairy products. Acquiring these

facilities would play a key role in determining the fate of agri-trade, both in domestic and international markets.

In one of the next joint working group meetings, Pakistan should also seek Chinese support in initiating a seed breeding programme for major crops, especially cotton and wheat. Currently we have a stagnant and compromised yield. The Chinese hybrid drought-and-disease-resistant seeds should be tried in Pakistan to develop seed varieties suited to our conditions.

Amidst Covid-19, we have successfully tested and tried e-commerce for many goods and services. However, most of the commodities and services traded through e-commerce have an urban base. China has enjoyed great success in using the concept of “crowd buying/team buying” in online agricultural markets. Linking agricultural producers to consumers would reduce the manipulative role of middle men in agricultural supply chain. This is another area where Pakistan can learn from China.

Finally, Pakistan should dedicate one of the special economic zones to food processing and value addition. Chinese food and beverage manufacturing groups should be invited invest in that zone. This will link us with Chinese agricultural supply chain. Also, both import substitution and export earnings from value-added farm-products would help reduce the current account deficit.

There are big ifs and buts about the potential benefits from China-Pakistan agricultural cooperation. These pertain to follow-up and implementation of MOUs. An MOU is only as good as its follow-up. In this case, we need a well prepared and informed follow-up so that our representatives may negotiate a win-win deal.

From: The News International, Islamabad/Rawalpindi, Sunday July 19, 2020

Dr. Abid Qayum Suleri and Shakeel Ahmed Ramay

<https://www.thenews.com.pk/tns/detail/688130-pakistans-agriculture-sector-and-cpec>



Political Economy of CPEC

CPEC: Do Not Test the Patience of Partners

Pakistan is blessed in many ways. It has immense natural resources including gas, oil, precious metals, highly productive agriculture sector and diverse geography and seasons. Though, sincere friends like China stand out among all these blessings. China is a friend who always stands by Pakistan and supports the country, no matter what is the situation or what are circumstances. The most recent case is the China-Pakistan Economic Corridor (CPEC). China started CPEC at a time when the economy was in bad shape and no one was ready to invest in Pakistan.

CPEC is a transformational project and has all the required tools to put the economy and rapid growth and development. Despite, all these consecrations Pakistan is still struggling to come out of the dangerous zone of economic turmoil. There can be many reasons, but the most prominent reasons are a failure of the country to capitalize on opportunities and hugging all misadventure and embracing false propaganda. Fake news and conspiracy theories attract more attention than facts and figures. CPEC is the latest victim on this front.

From the very first day, Pakistan did not recognize the spectrum of opportunity and importance of the project. Controversies started to emerge even before the launch of the program. First of all, the game of credit consumed much precious time. Everyone from the country wanted to be champion of the CPEC. The credit game ended with the start of route controversy. It further complicated the situation.

Pakistan was fortunate that it ended these controversies amicably and CPEC started with the inauguration of different projects.

Nonetheless, after six years of the inauguration, CPEC is still struggling for the required attention and efforts. The red tape hurdles significantly impacted the speedy implementation of projects. Projects are not conceived or designed at the required speed. Drum beating by the previous government was the highlight of the CPEC related projects. Corruption allegations and media propaganda also damaged the speed of CPEC. There was a breed of researchers and journalists who kept on blaming CPEC for all ills of the country. The favorite allegations were a debt trap, environment degradation, and social equality, etc. Most of the critics of the CPEC were doing a critique for just the sake critique. Many of them were not even familiar with the governance and development model of China leave aside the other dimensions of China.

Notwithstanding all these difficulties, the previous government was able to capitalize on opportunities in the field of infrastructure, especially for transport and energy. Now a substantial amount of electricity has been added to the national grid and a good number of transport-related projects have been completed. Infrastructure projects helped Pakistan to improve the business conditions and helped to attract investment. PML-N government always takes credit for it and they deserve the credit.

Though the previous governments could not think beyond the infrastructures' projects, PML-N failed to understand the "transformational" aspect of CPEC. It lost the time in securing credit and ignored the most important dimensions of CPEC like Special Economic Zones (SEZs) policy, SEZs infrastructure, ease of doing business and better investment regime. The government could not comprehend that the real benefits of CPEC will come from the second and third phases. For successful implementation of the second and third phases, revolutionary steps are needed to mend the practices in the country.

The present government started the journey where the previous governments left. The government is struggling to find a way for the implementation of the second phase. From the very first day, Prime Minister promised to mend the practices and pave a way for the smooth implementation. Prime Minister also visited China two times and assured the Chinese government and private investors that there would be visible changes in the policy and implementation spheres.

Unfortunately, Pakistan is still waiting for these required changes. There is no Special Economic Zones (SEZ) Policy. It was planned to establish nine SEZs but not a single SEZ is operational. These SEZs are either present on maps or declared land. Regrettably, all SEZs are without any type of services or facilities. Owing to the lack of facilities or services no investor are not willing to venture in the SEZ sector in Pakistan.

Lack of preparedness is creating problems and annoying the partners including the private sector. First of all, it has shaken the trust of the private sector. The private sector, national and international, is quite disappointed. International investors travel to Pakistan with the hope to find a suitable place in SEZs. Chinese investors' standout among all international financiers, we can see every other day some delegation from China visit Pakistan. China's government also motivates investors to visit Pakistan. However, on their arrival, they find that SEZs are still a dream to come true. It discourages the investor and they avoid traveling again.

National investors are also waiting for the operationalization of SEZs as they seem ready to invest in the country. The private sector is also trying to bring foreign investors through joint ventures. The private sector is even ready to build private SEZs but faces many problems. During the last few years, we have witnessed many CEOs of foreign companies visited Pakistan and showed interest to invest in joint ventures. Most of the times Prime Minister Imran Khan meets these delegations and assures them better investment facilities.

The real problem starts after the meeting with the Prime Minister. Investors have to run after many ministries and departments with limited success. For example, according to the international ranking by the World Bank, it takes 117 days to get a connection to electricity. The procedure to start construction is even worse and it takes 266 days to start construction. For starting any business investor has to deal with 7 agencies and there are 10 procedures and in New Zealand, there is only one procedure. These all factors discourage investors and they hesitate to invest.

Second China government is also struggling to comprehend the dynamics of Pakistan's economy and governance. Moreover, China is also a victim of uncalled criticism due to bad investment regimes, business facilitation, and lack of skilled labor and undue delays in the operationalization of SEZs. Although China has nothing to do with it but still faces criticism from interest-based groups. These circumstances put pressure on China and somehow make them worry. Fortunately, China does not give much attention to criticism and keeps investing in Pakistan. Last week a leading Chinese company Fushun Electric Porcelain Manufacturing started a new project under CPEC, which is \$1.7 billion worth.

However, Pakistan needs to understand how long the private sector and China can tolerate such a situation. The private sector and China both have other options to invest in the world. For example, in the region, Iran is emerging as one of the best bids for the investment for China. Export-Import Bank of China has already extended a loan of \$8.5 billion for 26 projects in Iran. China has also provided a loan of \$1.5 billion for electricity. Another Chinese company is interested to provide \$22 billion for railway infrastructure in Iran. Bilateral trade between China and Iran has reached \$33.39 billion in 2018. Iran also had requested China for a feasibility study to construct Chahbahar and the role of China. Iran has started the visa-free entry for Chinese tourists.

Situation urged Pakistan to come out of slumber and act according to the need of economy and CPEC. Pakistan should stop testing the

patience of our partners. We should respect them not annoy them. CPEC is a great opportunity and we must not let it be a victim of our negligence. We should start working on war footing to reform our investment regime, governance model, implementation framework and enhance the trust of our partners. Prime Minister has to sit with his team and ask them to deliver on-ground and come out of rhetoric and stop selling dreams. Most importantly, the Prime Minister must ask his team and ministers to stop negative posturing in public.

Owning to the bad performance of different sectors people started to point a finger towards Prime Minister. Although the Prime Minister is putting all his efforts to revive the economy and implement CPEC with the true spirit of CPEC, Prime Minister is not getting the required support from his aids. Prime Minister must resolve this issue and pave the way for the smooth implementation of CPEC and the revival of the economy.

Lastly, Pakistan should come out of the rhetoric mood and start to concentrate on work. We lost much precious time in praising and keep on talking about friendship. It is good we value friendship but in business or investment dealing we must work according to the ethics of business. It will help to strengthen our friendship and achieve sustainable development in the country.

Eco-Biz, The Matrix Mag.com, October 4, 2019

<https://www.matrixmag.com/cpec-do-not-test-the-patience-of-partners/>

Overselling of CPEC Diverts Attention from Other Sectors

Since the signing of the China-Pakistan Economic Corridor (CPEC) agreement in 2015, an intensifying race for taking credit for the gigantic project has been going on.

All political parties including the Pakistan Muslim League-Nawaz (PML-N), Pakistan People's Party (PPP), Pakistan Tehreek-e-Insaf (PTI) and other actors of the state are part of this race. No one is ready to analyze the programmed from China's perspective.

Although some analysts bring the Belt and Road Initiative (BRI) under discussion, talk about actual planning behind the concept is missing at large. Lack of clarity on CPEC, BRI and the Chinese design and model of development has greatly restricted debate on the Program.

The PML-N government extensively used CPEC as a major idea, brainchild, and achievement of its tenure. Since the program's inception, it continued to highlight the importance of the project and the fruits it would bear.

Overselling and generating high hopes are now creating real challenges for the country and the economic corridor. It has also diverted the government's attention from performing in other priority areas and sectors. The PML-N government's main slogan during the 2013 campaign was that it would eradicate electricity load-shedding and CPEC provided an excellent opportunity to fulfill the promise. However, it could not fully capitalize on the opportunity as it ignored the most important areas.

Major problems in governance in the power sector are low revenue collection and poor supply efficiency, followed by high line losses. It is estimated that every year Pakistan loses almost Rs213 billion in line losses and theft.

Losses are not equally distributed among different regions of the country. Sukkur tops the list with 37% losses, followed by Peshawar.

It is an alarming situation as it costs the country on many fronts. First of all, it hurts the payment structure of private companies, which is one of the main reasons behind circular debt. Secondly, it undermines the rights of citizens who are paying their bills regularly. It also hampers the capacity of the government to invest in new ventures. Private companies also get discouraged from pouring capital into the country due to non-payment issues.

Despite the importance of the issue, the government did not pay heed to improve the efficiency of the transmission network and remained busy outlining the achievements of CPEC. Now after the completion of several energy projects under CPEC, Pakistan is still facing load-shedding and people have started to question the CPEC-related energy programs and investments. Following such inquiries, the PML-N has started to blame the invisible hand, rather than accepting its inefficiency in the governance of the energy sector.

Polishing skills

Another area of mismanagement is the lack of investment in areas associated with CPEC. The government could not devise a strategy to enhance investment in skill development programs. Pakistan does not even have any initial estimates to gauge the gap between supply and demand, sector-specific demand and new areas of skill development.

At present, only sporadic work is being done like Punjab government's initiative in cooperation with Tianjin University in Lahore and some other small initiatives in Gawadar. These initiatives have been undertaken because China has emphasized its importance and provided support.

All governments including national and provincial ignored this important element. PTI in Khyber-Pakhtunkhwa (K-P), PPP in Sindh and allied government in Balochistan could not devise any comprehensive skill development Program to reap benefits of Special Economic Zones (SEZs) and other initiatives in their respective provinces. It will hurt the country on a wide scale. Firstly, workers will be left out of jobs due to low skills or no skills. Secondly, industries will have to look for alternatives and may consider workers from other countries. And then, it will hurt efforts to curb poverty among the masses.

The arrival of foreign workers will create issues for local communities, including social disturbance as immigrants do not understand local culture and values. Pakistan is already facing this problem. It is being debated among some circles that CPEC has attracted a huge influx of Chinese workers and they liken the situation to the one when East India Company was set up in the sub-continent.

The challenge for the upcoming government will be to mitigate this impression by deploying resources for skill development of common people.

Pakistan's policy and decision-makers should also present a realistic picture to common citizens. It should be communicated that the real benefits of CPEC will be visible after 2022 or 2030. A huge number of jobs will be created after the completion of SEZs, investment in agriculture and tourism. SEZs will also encourage entrepreneurship at the local level. But for reaping benefits, Pakistan must invest in capacity-building and skill development of local communities.

It is being concluded that a right set of policies and political actions are direly needed to maximize the benefits of CPEC. However, the government should not ignore other sectors of the economy as the achievements of CPEC will be lost due to inefficiency in those sectors.

For instance, we invested in energy and are about to achieve self-sufficiency in production, yet we are still facing the problem of load-shedding. It clearly depicts a lack of good governance. The incoming government will have to focus on two things. First is the dire need for

governance reforms as poor governance will hamper progress in all sectors.

Second is the need to de-politicize CPEC. It must be treated as a state-to-state initiative rather than a government-to-government initiative. No political party should treat it as its achievement, but it can highlight its part in delivery. Last but the most important thing is the implementation of a better governance model, which is the key area to ensure the sharing of CPEC benefits.

Pakistan must devise a program for capacity enhancement of bureaucracy in the context of changing governance models. The Ministry of Planning should take the lead in capacity building. In the absence of governance reforms, Pakistan will lose the opportunity. It will also have severe implications for China's image as a friend to Pakistan.

Pakistan and China are facing multiple smear campaigns at the global level. We do not have any option except to introduce and implement comprehensive reforms to reap the full benefits of CPEC.

From: The Express Tribune Islamabad, July 9, 2018

<https://tribune.com.pk/story/1753031/2-overselling-cpec-diverts-attention-sectors>

The Political Economy of China Pakistan Economic Corridor

Introduction

Pakistan and China have remained close allies and friends for decades. The two countries have faced both good and difficult moments together and tried to help each other without hesitation. From the very creation of the People's Republic of China in 1949 to date, Pakistan has been extending to China whatever support it could at international and regional fore. This also includes recognition of the Republic, its membership of the United Nations (UN), and eventually facilitating the detente with the United States (US). China, on its part, too, has always demonstrated its gratitude for the support it received from Pakistan and has always been keen to help Pakistan where it is possible. The China-Pakistan Economic Corridor (CPEC) – the flagship project of China's Belt and Road Initiative (BRI) – is the latest manifestation of this unique bilateral relationship.

China understands that Pakistan is going through one of the worst economic phases in its history. This phase is attributed to various factors, mainly Pakistan's participation in the US War on Terror, which inflicted both economic and human loss in the country. Among other factors, climate change is also posing a serious threat to the country. Moreover, poverty, food insecurity, and malnutrition are other issues that are also holding Pakistan back. However, China, by understanding Pakistan's current woes, has yet again extended its hand of cooperation and help in the form of CPEC.

CPEC started with the initial estimates of US \$46 billion. However, it expanded over time and has now reached the US \$62 billion. It is a very comprehensive program covering a number of areas including, but not limited to, energy, infrastructure, agriculture, IT, social development and welfare, skill development, and tourism. CPEC has two dimensions; the first includes Pakistan and the second includes the Belt and Road Initiative (BRI). However, its focus is on the needs of Pakistan in the field of economic and social development. It is believed that the materialization of CPEC will turn around the fate of Pakistan. In its first stage, it aims to overcome the energy crisis of Pakistan and also improve its communication infrastructure.

Owing to their potential, China and Pakistan are putting huge importance on CPEC-related interventions and projects. Unfortunately, the importance of CPEC for Pakistan and BRI has become a bone of contention for many countries. These countries, including India and the US, have started opposing the initiative either because of China or Pakistan. They have started portraying it as a geostrategic and security maneuver, instead of an economic or development initiative. However, with such criticisms, it is important to discuss and analyze, in detail, both the security and political economy dimensions of CPEC and concludes whether such international criticisms on the project hold true.

Political Economy

The political economy of CPEC can be analyzed through national, regional and global perspectives. Nationally, it revolves around the allocation of funds, routes, the impact on livelihoods and environment, and climate change. Regionally, there is assumed paranoia of India, which considers CPEC a threat to its economy and security and is doing its best to undermine the initiative. In terms of a global perspective, the West, led by the USA, finds China and its rise on the global stage as an irritant. Therefore, both regional and global players have tried making CPEC controversial, especially because of the project's importance for the BRI. Therefore, it is necessary to have the background of these levels of political economy before delving into a detailed analysis of CPEC.

Presently, the debate on CPEC is divided into two groups; those who are strongly pro and those who are strongly anti-CPEC. The pro-CPEC group is only interested in debating the project's benefits for Pakistan, and therefore shies away from discussing its "negatives". By doing so, this group is undermining the true spirit of CPEC, which was started and promised as a dynamic, not static, project. It was also argued that CPEC would always be open to any changes in the best interests of the stakeholders. The long-term plan of CPEC, hence, takes into account the "need for continuous improvement". It is also in line with the basic philosophy of China's governance, reforms, and development agenda. China has always remained open to improvement, experimentation, innovation and devising the best possible ways to achieve desired objectives. Therefore, the Joint Coordination Committee meetings are proof of this strategy.

On the other hand, opponents of CPEC have a list of self-assumed perceptions to oppose the initiative. Since the project's initiation, this group has tried finding all sorts of ills within the project and has therefore opposed it from the get-go. Their favorite subjects include "issues of transparency", "security", "and expansion of China", and "the debt trap". The Western countries are obsessed with the containment of China and want China to be a junior partner with plenty of donots'. They are pursuing the agenda of containment in the guise of security, transparency and debt trap. There is a plethora of material available which solely looks at CPEC and BRI in the context of security. The maritime route is especially a victim of criticism and all efforts are being applied to prove that it is a security intervention.

The Stockholm International Peace Research Institute (SIPRI) recently published a policy brief that addressed security aspects of the BRI in the context of the South China Sea and the Indian Ocean. The policy brief concluded that it was necessary for China to maintain its presence in these seas to secure its trade lines and ensure the smooth functioning of its international trade.

However, China's geopolitical rivals are not ready to accept this role and therefore blame the country on all fronts. In the past, the USA and other

western countries openly deployed their resources along their trade lines and also built military alliances in the name of their security. In 1948, the US introduced the Marshall Plan for Europe as an instrument for Europe's rehabilitation and revival but attached many strings with it, which addressed US security and foreign policy. The superpower used this as a mechanism to ensure its own peace and economic interests and attain its foreign policy objectives. The study of the Marshall Plan and its objectives clearly exhibit the USA's own security against the Union of Soviet Socialist Republics (USSR).

The story does not stop there; the USA, in collaboration with European and other partners, built The North Atlantic Treaty Organization (NATO) in 1949 which was purely a security venture. NATO was established in the name of the security of Europe after the implementation of the Marshall Plan. The USA and its partners excluded World War-II ally USSR from the designing and implementation of both the Marshall Plan and NATO. Although USSR had shown interest at first, later due to the attitude of the USA it changed its mind. By establishing NATO, USSR was portrayed as an enemy of the West. The Marshall Plan was extensively used to counter communism and forge partnerships for promoting the American agenda during the Cold War.

Contrary to the Marshall Plan, CPEC or BRI do not have any such strings attached. It is purely conceptualized on the basis of the economic growth model and development. President Xi has many times reiterated that China wants a destiny of "Shared Prosperity". International forums like the World Bank, the UN, European Union (EU) and the International Monetary Fund (IMF) had already accepted the development dimensions of BRI and related projects. World Bank President considers it a step for better connectivity, increased competitiveness and smooth regional trade. The bank has already invested around the US \$87 billion in BRI ventured countries. The UN Secretary-General himself attended the BRI forum and stressed on the need for more cooperation.

Furthermore, it is also interesting to observe that despite all opposition to CPEC and BRI, the US is looking for enhancing its trade with China. Although, currently, the USA is engaged in a trade war but still is looking

for ways to improve trade relations with China. European countries are also moving closer to China to improve and build close economic and trade relations. China has already started a railway cargo service for Europe to shorten the delivery time and improve efficiency. But, unfortunately, at the same time, the West also criticizes other countries for building relations and look for avenues to maligning them.

On the security front, China is only trying to secure its economic interests like other countries. Supplementing BRI efforts with security measures is necessary for the smooth functioning of its development and trade initiatives. This is nothing new, it is a common practice as the US and western countries have already been doing it to protect their trade and economic interests for decades. If China is doing it now, it must be analyzed through this prism, not by a geo-strategic prism. Moreover, it is common sense just how an individual wants to secure its economic interest by employing guards at a street shop.

In the context of CPEC, there are no security strings attached. All projects are either economic or social. Only security personnel are deployed to protect the workers and other personnel working on the projects. This is a common and usual practice, especially in the context of Pakistan. This is because CPEC has attracted a lot of negative attention, and therefore the Chinese personnel have become high profile targets of miscreant attacks. However, the western media portrays it as a point of justification for their assumed security dimension of CPEC.

Furthermore, Pakistan and China do not need to associate any security strings, especially with CPEC as both countries are cooperating with each other in the security and military sectors for decades. Pakistan and China have many successful ventures in security and defense sectors such as Heavy Complex, JF-17 Thunder and others. These ventures were executed well before the CPEC and BRI.

The debt trap is another tool being used by USA, western media and India to malign CPEC. They present CPEC as a “trap” and not an “economic and development” opportunity. In reality, Pakistan’s total debt represents a very small portion of China. Moreover, Pakistan will have to start paying back the debt in the next decade after the maturity of energy projects. The

remaining debts are from the IMF, World Bank, and other development partners. The irony is that the West does not give any attention to debts from IMF and constantly focuses on China. Although there are cases of Latin American countries, which tumbled under the debt of IFIs (International Financial Institutions) and other partners, these countries are still working with the same IFIs, whereas the media ignores these cases while criticizing Chinese investments.

Moreover, under CPEC, China's investment does not bring major attached strings for Pakistan. But IMF, World Bank, and other partners' debt are accompanied by a number of strings. It ranges from micro and macro governance to security and international relations. These strings, from western IFIs, often dictate the country's domestic policies as well.

Even in the past, the USA has also attached strings to its assistance for other countries. One only needs to look at the documents of the Marshall Plan to find all the answers. During and after the period of the Marshall Plan, the USA continued to interfere in European countries' foreign and security policies. President Trump is more vocal about this. In this backdrop, it is understandable why the USA is questioning CPEC and therefore, it is easy to understand the behavior of the USA. It has always extended economic help with political, security or diplomatic strings. Therefore, it assumes every other country is doing the same.

The issue of transparency is also being used to undermine CPEC. Although the government has developed a portal for information sharing on CPEC, there is still debate on its transparency. Data relating to different projects is available for public access on various websites. However, every country has the right to determine what to share and what not to share. This is because certain information can compromise bilateral and security ties. Hence, no country can compel any other country to share details of their agreements. Despite these facts, China and Pakistan always remain open to sharing details of their bilateral pacts. For example, Pakistan even shared CPEC's details with the IMF. To this end, Pakistan and China are even inviting all other countries including India, the USA, and other western states to join CPEC. If China and Pakistan had to hide any information, both countries would never invite other countries.

Pakistan and China are already trying to expand CPEC, at least at the regional level. Pakistan has offered India, on various occasions, to become a part of CPEC. However, India has always rejected the offer by presenting one excuse or the other. On the other hand, Iran and Afghanistan have shown a keen interest to join CPEC. China, Pakistan, and Afghanistan are in advanced stages of finalizing a mutual CPEC understanding that would include Kabul. The three countries are discussing the issues at different regional forums and trilaterally as well. The recent meeting of foreign ministers in December 2018 explicitly talked about the subject. The inclusion of Afghanistan will provide an opportunity for sustainable peace and prosperity in the war-torn country. CPEC will be an opportunity to connect Afghanistan with Gwadar and other ports of Pakistan for trade as well.

On the other hand, Iran is gradually moving towards joining hands with Pakistan and China for CPEC. It is planning to declare Chahbahar and Gwadar as sister ports. Iran had also officially requested China for investment in Chahbahar port, as India could not provide the required funding. Iran is also a big exporter of oil to China and Pakistan, and Pakistan is expecting to import gas from Iran as well. More importantly, Iran has no influence on the USA or the West and makes its decision independently.

In recent months, Saudi Arabia has also proposed to be a part of CPEC related projects in Pakistan. It is more interested to invest in the oil and refinery sector of Pakistan. The inclusion of Saudi Arabia, Iran and Afghanistan is very important to expand CPEC to Central Asia and beyond. Pakistan's dream to connect with Central Asia and beyond can only come true if Afghanistan is part of CPEC. Iran will help to connect to Turkey and Europe through the railway.

Afghanistan's desire to become a part of CPEC may be an irritant for the US as it has heavily invested in the internal security of Afghanistan. It is also providing substantial budgetary support to Afghanistan. Iran's inclusion is also perceived as a challenge to US sanctions on Iran. Therefore, China and Pakistan must be ready to see the renewed pressure on CPEC on different fronts.

CPEC is also facing political issues at the national level due to the varied aims of Pakistan's provinces and different interest groups. It took a long time to settle the route controversy. Previous governments tried to bury the issue but could not succeed fully. However, they did a good job to contain it. Now, the Pakistan Tehreek-e-Insaf (PTI) government is trying to handle this issue by allocating more resources for marginalized areas. Interventions from previous and current governments are bearing fruits and things are settling in a positive trajectory.

In recent years, environment and climate change have emerged as new tools to criticize CPEC. Some international organizations are portraying that CPEC will wreak havoc for the environment. Coal-fired power plants are usually used for devising their strategy of criticism. However, they conveniently forget the truth that coal will not be more than 10 percent of the overall energy mix of Pakistan. Moreover, CPEC is also putting greater weight on renewable energy resources like wind, solar and hydro. Pakistan has already established solar and wind parks, which are operational now. Both governments have also decided to expand them further. Now the governments are talking about more rigorous investment in the hydro-sector.

Conclusion

CPEC, which is a predominantly economic venture, has become a victim of global and regional criticism. Globally, the USA looks at this as a challenge to its hegemony and superpower status. China has already taken over the USA on a parity basis and now its economy is on the course to surpass the USA's economy in the coming years. The US hegemony was built on three pillars; diplomacy, economy, and military. Right now, the USA's hegemony in the field of economy and diplomacy is being challenged. The most recent example at the diplomatic level is US' loss at the UN General Assembly. Economic crises of 2007 have already shaken the basis of the US economy. Moreover, continuous war on terror and other wars that it had started have deeply dented the American economy. Thus, China's growth on the economic front further complicates the situation for the USA.

On the regional level, India is facing a dual dilemma; i) it cannot see positive developments in Pakistan, and ii) it considers China as a challenger of its dream of becoming an Asian power. India is the only country that considers developmental and economic interventions as a security threat. It is openly talking about sabotaging CPEC to hinder the development of Pakistan. On the other hand, it assumes that China will take over Asia. However, the point here is that China is already an unchallenged major power in Asia. Furthermore, China is thriving for a global role, not regional.

Although China has many a time reiterated that it does not want any type of confrontation with any country, the USA and India are still trying to create alliances to create problems for Beijing. USA and India are busy in building a four-country group alongside Australia and Thailand. India is also working with Japan to build the Asia Africa Growth Corridor. America had been presenting The Transatlantic Trade and Investment Partnership (TTIP) and The Trans-Pacific Partnership (TPP) as alternatives to BRI and asking countries to join it. However, many analysts believe that TTIP and BRI are complementing each other, as TTIP deals with software and BRI with hardware of trade and economic integration. However, Mr. Trump withdrew from these initiatives and they do not have relevance now, especially without the USA.

From the discussion above, one thing is very clear: the criticism of China is mostly originating from the political-economic front, not on the basis of hard facts and figures. It seems that countries are not talking about the BRI's economic potential, but are interested in attaching security strings to it.

On the domestic front, Pakistan's government has not been able to effectively communicate with the local and international stakeholders regarding CPEC. The government has treated it as an achievement and projected it for its glorification by trying to sell it to voters without realizing the side effects. This attitude has led to feelings of undermining other political parties. As a result, other political parties have started to question certain parts of CPEC just to remain relevant. Political point-

scoring at the domestic level has further led to confusion, which was used by opponents to prove their point.

All governments and political parties need to understand that CPEC is a project between two “States,” not governments. It does not matter who is in power, the project will keep going. Therefore, it is better to discuss the projects in the parliament or in meetings, and not on TV channels.

Finally, from the discussion above, one lesson is clear: CPEC was never analyzed on the basis of the purely academic or program-based approach. It always has been studied with bias, either pro or against. There is a need to study CPEC on a scientific basis and without any biases.

Policy Recommendations

The following are some of the major policy recommendations for the current government on how to deal with CPEC on a larger scale:

- CPEC must be analyzed through the lenses of economic development, not a lens of security with the government taking the onus of conveying these dimensions to the international community
- Pakistan is a sovereign country, and no one has the right to interfere in its affairs or its international agreements with important partners
- There is no development intervention which is free of environmental concerns, hence the government needs to ensure that security concerns of the project are also addressed
- The government needs to ensure that CPEC remains a “politics-neutral” project domestically, so that no political party, including the PTI, can use it for political point-scoring. This would help in maintaining brotherly ties with China
- CPEC is one of the few economic lifelines that Pakistan has at its disposal at present, hence; this lifeline should be utilized in the most effective manner.

CPEC: Politics of In-Efficiency

Pakistan's economy was in shamble. The energy crisis was a leading country toward industrial and financial resources' flight. Economic and development indicators were moving downward. State of affairs was aggravating by the presence of higher food insecurity, poverty, and higher unemployment and inflation. Terrorism has jolted the whole economic and social fabric. It also led toward soaking up of foreign direct investment (FDI) in-country. The international business community was shaky to do business with Pakistani counterparts. Owing to this worse situation Pakistan even could not benefit from the GSP+ concessions from the European Union.

In this scenario, Pakistan got the opportunity in the form of the China-Pakistan Economic Corridor (CPEC). The time Pakistan signed the agreement, controversies started to emerge. Controversies are two folds, economic and strategic, and at two levels domestic and global. Domestically economy and debt are major factors and the environment and distribution of benefits of development are supporting factors. The economic angle highlights the poor political point-scoring and fights for credit. Every political party understands the importance of the initiative and the volume of investment. It instigates them to get a maximum share for their political constituencies and ensure millage for vote and voters' gain.

The story started with the controversy of the route and still going on with the inclusion of Special Economic Zones (SEZs). The economic sense of decision-making somehow was compromised and political considerations took over due to continuous political pressure. However, it is heartening

to note government and political parties still made good decisions for the prioritization of special economic zones. But politics is still going on. Now the business community is also showing concerns about the investment of Chinese firms and preferential treatment. The business community complains about the lack of information and preference for Chinese firms and investment.

Board of Investment and Planning Commission do not agree with claims. They are of the opinion that all the information is available on the website and there is no preferential treatment for Chinese in SEZs. Chinese investors enjoyed preferential treatment during the first phase for power plants but it was necessary at that time Pakistan was looking for a quick fix to overcome the energy crisis. However, the case of SEZs is different and investment opportunities are open for everyone. Pakistani and foreign investors can benefit equally from these opportunities. Chinese firms will have to compete with Pakistani and foreign companies and industries for availing of the opportunity. Both governments are also encouraging joint ventures of Pakistani and Chinese companies.

The second and most debated issue these days is debt repayment and interest rates. First of all, it is important to clarify that CPEC is not wholly dependent on Chinese investment. Pakistan's share is also handsome and according to available statistics, it is around about 18.1 billion US\$ from 45 billion. Sector-wise allocation is given as follows:

Estimation of Local Component in CPEC

	Investment (USD ban)	Domestic Share	Domestic Share (USD bn)
Energy (Breakup is given below)	33.8		
Coal 7560 MW	8.8	20%	1.8
Wind 200 MW	0.5	20%	0.1
Hydel 1590 MW	4.2	50%	2.1
Solar 1000 MW	1.7	0%	0
Second Phase 6445 MW	9.5	20%	1.9
 Mining Expenditure	 9	 50%	 4.5
 Road	 5.9	 80%	 4.7
Rail	3.7	50%	1.8
Mass transit in Lahore	1.6	50%	0.8
 Gwadar Port	 0.7	 50%	 0.3
 China Pak Fiber Optics	 0	 0%	 0
 Total	 45.7		 18.1

On repayment, it is important to understand that it will depend on the management and governance of a country not solely on the interest rates.

It is critical to note that the government of Pakistan has to devise better policies to give impetus to the national economy and benefit from CPEC investment. It was predicted that till 2018 there would be a 2 percent increase in national GDP due to CPEC. It was calculated that for a one percent increase in GDP there is a need for a 3.6 percent incremental investment. CPEC provided a 5.4 percent incremental investment that means there would be a 1.5 percent increase in GDP. Moreover, due to the better environment, there would be .5 increases in GDP by the investment of private investment.

Unfortunately, we missed that target and we are still at a 5 percent growth rate. Along with other reasons, poor planning and preparation led to lower growth in GDP. Government and opposition parties remained busy in point scoring and credit war rather than putting efforts on policy and strategic interventions. The incumbent government claims that investment only happened due to their government. Pakistan People's Party on the other side is of the view; they paved the way for investment and the present government cashed on it. However, research reveals that the first blueprint of CPEC is the "Beijing Declaration of 2003". Moreover, the Chinese government, again and again, emphasized that this investment is for people of Pakistan irrespective of any government or institution.

Tug of war on credit and constituency politics is hurting CPEC at two levels. First, government and opposition parties are not investing the required time on the formulation of policies and strategies for better implementation. For example, Pakistan does not have an estimated number of the required raw and skilled labor force. We are unable to calculate demand and supply of labor and what would be the gap between demand and supply after the implementation of CPEC. In the absence of facts and figures, Pakistan will never be able to devise a comprehensive plan for labor and skill development.

There is also a dearth of literature and policy documents and plans to promote entrepreneurship in connection with CPEC. As it is open fact that CPEC will introduce a number of entrepreneurship opportunities in sectors like eco-tourism, agriculture, and SEZs. SEZs will create opportunities by creating backward linkages with cottage industry and raw material sectors.

Entrepreneur skills will help local communities to bargain well and secure maximum benefits. Therefore, there is a need to invest in entrepreneurship skill development in all sectors. Lack of planning on these all fronts will seriously impact the country on many fronts.

It will lead to unequal distribution of resources and development benefits and poverty will be on the rise despite this huge investment. It will be extremely difficult for Pakistan to repay the loans and debt will dent the economy and country. The second and most important causality would be the "**Reputation of China**" among Pakistani masses. The outcome of the incompetence of the Pakistani political and decision-making elite would be shifted to China. Criticism has already started on Chinese investment; some people are trying to equalize it with East India Company. In the absence of sound policies and plans, criticism will be aggravated with the passage of time.

Domestic politics is also keeping us away from exploring future markets for our exports and imports. SEZs' success will be dependent upon available markets for exports and imports along with other factors. The creation of SEZs will enhance production capacity and it will be beyond the consumption capacity of the domestic market. One region for exploration to promote export would be the Central Asian States (CAS). But to exploit these markets Pakistan has to work on two levels, government and private. The government should invest in these countries on capacity building of officials and the private sector should attract investment opportunities.

Moreover, CAS is also important in the energy side, as energy demand will increase in Pakistan with a higher growth rate and these countries are rich in energy resources. However, the government is quite behind on this front also, as there is no concrete initiative on this front except CASA 1000. Lack of required attention and efforts will make the situation complicated and difficult to benefit.

This situation is also providing an opportunity for opponents at local and global levels. Globally countries will act according to their national interests and twist the information and lack of actions for their benefits. The global community has already started to launch different initiatives to

counter the CPEC and BRI. India and Japan at the occasion of the meeting of the African Development Bank launched the vision of “***Asia Africa Growth Corridor’ (AAGC)***. Vision emphasized the need for the joint working of India and Japan for speedy development of the corridor. Although it is Asia and Africa specific it has direct relevance for the CPEC.

Another initiative at the regional level is Chahbahar Port in Iran. India is investing thereby considering an opportunity to undermine Gwadar Port. Also, consider it an option to avoid Pakistan for its connectivity with Afghanistan and the Central Asian States. Iran is portraying it is an option for Afghanistan to trade with the world and alternative to Pakistan. However, the route for India would be expensive and it would not be affordable in the long term. Nevertheless, Iran, Afghanistan, India, and the USA are trying to exploit the situation in their favor.

Investment in Gwadar port is being depicted as an invasion of the Indian Ocean. Although it is purely an economic initiative global players are insisting on it as a strategic initiative. China and Pakistan explicitly denied this but the USA, India and other allies are not heeding any head.

The whole scenario urged Pakistan to work out a strategy to implement CPEC smoothly and counter international and national propaganda. For implementation first step would be to decode long-term plans and strategies investment in labor, skill and entrepreneurship activities. Second Pakistan should take pro-active steps at a global level to demystify myths about CPEC and present facts and figures about the CPEC. Last but the most important aspect is that CPEC should not be a victim of local politics and constituency gains.

From: The News International, Islamabad/Rawalpindi, Sunday April 15, 2018
<https://www.thenews.com.pk/tns/detail/565329-cpec-politics-inefficiency>

CPEC Puzzle

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.

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 innovative idea to give push to CPEC. Authority has been created to facilitate implementation of CPEC and remove 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 develops 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.

From: Daily Times Lahore, January 6, 2020
<https://dailytimes.com.pk/533825/cpec-puzzle/>

CPEC Hangover

CPEC is not losing charm at global forums. It is one of the much-debated projects among businessmen, scholars and policy makers. Unfortunately, most of times it is analyzed through biased and negative prism. Economic dimension remain sub-ordinate and geo-strategic dimension try to be dominant factor. It gives rise to conspiracy theories and sometime controversies. Leading factors contributing to conspiracy theories from Pakistan side are, a) lack of awareness campaign about dimensions of investment and creation of jobs, b) overselling of CPEC and c) poor planning and execution. Globally, debt trap, lack of transparency, environmental issues and contribution of Chinese companies in national development are being used to create controversies.

On awareness front Pakistan was unable to share the basic information at mass level. First all, there is general perception that it is sole investment of China, which is not true. According to data, when project was signed total committed contribution of Pakistan was US\$ 18.1 billion from US\$ 45.1 billion. Contribution was spread over a number of projects including energy, IT and transport infrastructure. The share of Pakistan has increased with the increased volume of CPEC. Second, most of the time CPEC is being attacked that it is not creating jobs or Chinese are taking over jobs.

However, the reality is opposite to the claims. According to latest available statistics, 75000 jobs have been created for Pakistanis during the last 4 years, these are conservative estimates. It means 75000 families has directly benefited and it helped them to improve their life. Indirect job creation was not calculated for the last 4 years. The jobs created by local industry after improvement of energy and infrastructure will multiple the

numbers. Further it has been projected that till 2030, 1.2 million jobs will be created from the current proposed projects of CPEC. It is also hoped that industrial cooperation will further contribute to create good number of jobs.

Overselling and politics on CPEC badly impacted it. Some people started to portray that CPEC is a source of free dollars. Government kept data with itself for certain period which created unnecessary curiosity. Besides, government forgot to highlight that it is an investment venture with a focus of win-win cooperation. From here the global players started to look at CPEC with curiosity. Furthermore, regional politics among political parties further aggravated the situation. Governments sold the initiative as great win of government and oppositions did not accept the claim. It led to compromised planning and execution. Weak planning and execution by Pakistani government is one of the main culprits of controversies.

Globally, first, the notion of debt trap was used to undermine the importance of initiative. CPEC was and is being portrayed by interest groups as main or only culprit of Pakistan's debt. Though facts tell us different story. Pakistan's debt problem emerges from IMF, World Bank, ADB and other development partners' loans. Pakistan is struggling to pay back these loans and it is impacting national economy on multiple dimensions. Second on environmental issues, everybody talks about the coal plants but there is very limited mention of renewable energy projects. Pakistan and China under CPEC are investing on solar, wind and hydro-power projects. Operational projects include hydro China Dawood wind farm, Quaid-e-Azam solar park, UEP wind farm, Sachal wind farm and Three Gorges Second and third wind farms. Karot Hydro-power and Suki Kinari Hydro-power projects will be completed in 2021 and 2022. Hydro-power projects will produce cheap energy which will be helpful for enhancing competitiveness of national industry. Investment in dams will also help to combat the challenge of water scarcity.

Third element is transparency, which has been highlighted regularly at global, regional and national levels. It has been touted that China and Pakistan are not sharing details of CPEC. The argument gets diffused when China and Pakistan invite other parties to invest in CPEC. Both

countries are open to all international companies and countries. It gives rise to a simple and logical question, if both countries have to hide something then why they are inviting international investors to be part of CPEC?

Fourth the role of Chinese companies is being questioned in national development and social sectors. Apart from CPEC, there are a good number of big companies which are creating jobs and livelihood opportunities for Pakistani people for many years. For example, Haier Pakistan is creating jobs and contributing in social development for the last two decades. It has created hundreds of thousands of jobs. Haier is also contributing in skill development by engaging fresh graduates through internship. It has also established trainings centers to impart skills. Social contribution has always been a top priority for Haier Pakistan. However, the most important contribution is that it has changed the face of home appliances industry of Pakistan.

Zong has revolutionized the telecom sector and it is also investing in welfare projects. Huawei is also working in working in Pakistan for last 21 years. It has helped Pakistan at multiple fronts. It is creating jobs. It is producing high skilled personals and helping to earn foreign exchange. There are other Chinese companies which are creating jobs and contributing in the welfare of society. Chinese companies in recent times have invested in education and health sectors of marginalized areas of Pakistan.

These all evidences suggest three very important dimensions of CPEC and China-Pakistan's cooperation. First it is a win-win economic project. It is necessary for Pakistan to break the shackles of poverty and uplift the living standards of the people of Pakistan. Second, it is helping Pakistan to create basic infrastructure for future investment, which will pave way for investment for Western countries and companies. As, Western countries' company like Coca-Cola, PepsiCo and Excelerate etc. already started to invest in Pakistan after the start of CPEC. Third, it is neither secret or against anyone. It is open project; everyone is welcome to invest. Therefore, all countries should benefit from it by investing in CPEC.

Lastly, CPEC can serve a good model of open cooperation for future joint ventures. It is open fact that the need for infrastructure investment is increasing (US\$ 5 trillion in Asia-Pacific) and no country alone can bear this cost. Therefore, there is need of more CPEC like projects in future and world need to focus on cooperation not undermining the efforts of others. It is necessary to achieve the Agenda “No One Left Behind” till 2030.

From: Daily Times Lahore, December 2, 2019

<https://dailytimes.com.pk/511783/cpec-hangover/>

CPEC: the way forward

It is very important to ensure a trickle-down from development resulting from CPEC projects

Several studies are now available that analyse the impacts of Belt and Road Initiative and China-Pakistan Economic Corridor projects, but little efforts are made to dissect those studies. Recently, the World Bank has produced a series of reports to analyse the potential impacts of Belt & Route Initiative (BRI), including the China-Pakistan Economic Corridor (CPEC). Reports, Common Transport Infrastructure, A Quantitative Model and Estimates from the Belt and Road Initiative, The Belt and Road Initiative Economic, Poverty and Environmental Impacts, The Belt and Road Initiative Economic, Opportunities and Risks of Transport Corridors, have produced substantial information about the potential impact of the BRI and the CPEC till 2030.

The reports show that 71 countries along the BRI will benefit in terms of GDP increase, welfare, trade, FDI and factor return. The most interesting aspect is that non-BRI countries will also benefit from the gains of BRI-related investments. According to the reports, the BRI will reduce travel time by 12 percent in BRI economies and 3 percent in non-BRI economies. Trade will get a boost between 2.7-9.7 percent and 1.7-6.2 percent in BRI and non-BRI countries, respectively. Real income will see a boost of 1.2-3.4 percent and 0.7-2.9 percent in BRI and non-BRI countries respectively. Further, a 1 percent increase in global real income will be equivalent to \$ 930 billion in 2014's prices. An increase of 3.4 percent and 2.6 percent in GDP of BRI and non-BRI economies is expected till 2030.

The BRI will not only contribute in economic indicators. It will also help the governments tackle social and development issues. For example, it is expected that BRI investment will help to lift 7.6 million people out of extreme poverty (those living on less than \$1.90). Further, it will help lift 32 million people out of moderate poverty (\$3.20). The major beneficiaries would be developing countries (4.3 million, extreme poverty, 26.7 million moderate poverty). Return to factors of production will also increase and its major beneficiaries would be labour (1.37 percent).

The reports further reveal that Pakistan would be the biggest beneficiary of CPEC. First of all, due to infrastructure investment Pakistan's GDP will increase by 6.43 percent till 2030. Reforms in governance like tariffs, ease of doing business and trade facilitation can push the increase to 14.03 percent. Welfare effect would be 5.18 percent and reforms will give further impetus and total increase would be 10.51 percent. It will help to bring out 1.1 million people out of extreme poverty. It also has the potential to boost employment opportunities. Pakistan can have 4 million new jobs. Trade will also witness an increase of 9.8 percent, if Pakistan fully implements the CPEC and supports it with reforms.

These projections can be qualified by the current status of CPEC gains. Pakistan has already witnessed tremendous benefits from CPEC-related interventions. According to the latest figures available CPEC has already created 75,000 jobs for Pakistanis. CPEC has also helped Pakistan manage the electricity load shedding.

Infrastructure plays a key role in setting the direction of industrial development and trade enhancement. Small and Medium Enterprises (more than 100, CPEC Official Website) also benefited from the investments in CPEC. The contribution of CPEC to national GDP was almost 2 percent. Owing to the big push Pakistan touched the level of 5.8 percent GDP growth in 2018. The World Bank reports show that the major beneficiaries in Pakistan would be Quetta, Peshawar, Karachi and Lahore.

Another study published in *Advanced Journal of Transportation* shows that the CPEC will also help Pakistan become an active player in transit trade. CPEC's transport and Sea infrastructure will facilitate trade from Western China and help reduce travel time and cost. According to the

report it will help reduce travel time by 20 days for Oman, 21 days for KSA, 24 days for Kuwait, 2 days for Netherlands, 2 days for Germany and 21 days for France. In terms of cost per container, there would be a saving of \$1,857 for Oman, \$1,457 for KSA, \$1,457 for Kuwait, \$1,357 for Holland, \$1,357 for Germany and \$1,357 for France.

China will receive benefits of \$ 70 billion due to CPEC route. These calculations were made using trade data of 2016 and assumed an average speed of container to be 40 km/h. It is anticipated that after completion of all infrastructure, the efficiency will improve further. The change of mode of transportation (container to railways) will introduce substantial benefits.

The CPEC has now entered its second phase. Building on the first phase Pakistan will have to work on three things on priority basis. First, tariff modification and rationalization, ways to reduce border clearance days and ease of doing business. Services delivery and digital services for transport sector would be another area of work. There is a dire need to improve the services to facilitate business and trade.

The second important area of work is creating of backward linkages for major transport and other infrastructure. Backward linkages will create conducive environment for business, trade and connectivity. For example, farm to market linkages, major highways and motorways to serve small towns and villages. This will help small farmers and producers to deliver their products at lower costs and more efficiently. In the case of agriculture products, it becomes even more important. Considering most of the agriculture products are perishable, better connectivity will help farmers to reduce the time required for delivery and help farmers to get better prices.

It is also critical to ensure a trickle down development. It has been pointed out by World Bank, 2019, that due to weak backward linkages in Pakistan, internal trade might not flourish much. Only a meager increase of 0.8 percent till 2030 is expected. Therefore, government should immediately start working on it and ensure that till 2030 backwards linkages are in the final stage, if not completed.

The third area of intervention must be time management and looking for ways to enhance efficiency of interventions. We have witnessed some delays in some interventions, especially for business community. It is good to note that government is cognizant of the fact and has created the CPEC-Authority.

Lastly, the government must develop a matrix of past mistakes and learning. The future strategy must be developed on the basis of past learning.

From: The News International, Islamabad/Rawalpindi, Sunday February 16, 2020
<https://www.thenews.com.pk/tns/detail/614375-cpec-the-way-forward>

PM's Visit to China and Need to Re-Set Economic Order

PM Imran Khan is visiting China next week. The visit is considered very critical as it is happening just after the celebration of 70 years of China. Celebrations are a mark of China's steadfast movement on the path of the "Chinese Dream". In the last 70 years, China attained the status of the second-largest economy with 90.03 trillion GDP from 67.91 billion Yuan in 1952. The contribution of primary, secondary and tertiary sectors in the national economy also changed from 50.5: 20.8: 28.7 in 1952 to 7.2: 40.7: 52.2 in 2018.

Although China is trying to emerge as a peaceful nation, it is facing stern opposition from the USA and its allies. President Xi Jinping underlined that no one can stop China from the path of development and achieving the "Chinese Dream". China is very clear that it will continue its march on the economic development route. It also understands that to continue the progress it will have to develop partnerships to share prosperity with other countries and regions.

Therefore, China is looking for trusted friends who can work with China and stand by China in times of need. Pakistan is one such friend, which stood by China and can be a good partner in economic endeavors in the future. China is already working hard to assist Pakistan in the economic transformation of the country through CPEC. Unfortunately, the partnership in the form of CPEC could not deliver the perceived goals due to multiple reasons.

In this context, the visit of PM would be very critical and future-oriented. The context urges the Pakistani side to be well prepared before leaving for Beijing. The most important point for the preparation would be that Pakistan should think beyond CPEC. It should work on and include other avenues like the Shanghai Cooperation Organization, Heart of Asia, Asian Infrastructure Investment Bank, etc. and their economic relevance for Pakistan. The second and prime area of preparation should be the “economic governance and policy order” of Pakistan and its relevance to China and other institutions.

The economic governance order would be the deciding factor to determine the fate of economic cooperation between China and Pakistan. Presently, Chinese and Pakistanis models of development have many contrary approaches and governance systems to achieve the goal of sustainable development. China believes in the “transformation” of the economy in a systematic way. On the contrary, Pakistan is interested in the “revolution” theory. The difference in ways of the theory of development route is creating a problem and will continue to create a problem if not addressed in a proper way.

The concept of revolution is haunting Pakistan for long. Interestingly, Pakistan always pursued it in the name of reform. Reform has been the favorite buzz word of successive governments. Everyone came into power with the slogan of reform. The most recent attempts by PTI’s government are continuity of that trend. Right after coming to power PTI established a number of committees or task forces to enhance its agenda of reform. The most recent intervention came with the help of the IMF.

Unfortunately, these reforms are opposite to the concept of the Chinese model of reforms and transformational theory. China believes in incremental reforms. It always remains open to correction and new ideas. However, it believes in the continuity of process and dedicated efforts. Moreover, it also asks for patience to achieve the perceived targets.

Pakistan’s style of economic governance, based on its model of reform, is hindering the fruitful engagement of both countries. PM’s visit can reset the tone of cooperation by introducing the required reforms. For that

purpose, PM will have to re-set the economic order, governance, and ways of perceiving the change mantra.

First, PM will have to ask his team to look at reform as phenomena which will take 30 or 40 years or at least 20 years to produce any tangible results. Ideally, PM should ask his team to develop “Agenda 2047” for Pakistan and phase it according to the need of the country and available resources including financial, human and technological. Phasing can be done as, low hanging fruit (2 years, agriculture), short term (5 years, SMEs and industry) medium-term (15 years industry and SMEs) and long term (28 years, change the share of primary, secondary and tertiary levels as, 10: 55: 35). These four phases should be tagged with a figure of GDP like US\$ 400 billion in 2 years, US\$ 600 billion in 5 years, US\$ 1.5 trillion in 15 years and US\$ 3 trillion in 28 years. It can only be achieved by developing a consensus among stakeholders.

The consensus agenda should be turned into a policy document. However, for time being PM can share a blueprint of agenda with China. The process of consensus building can be started on the return of PM. The caution would be that the agenda should not be focused on CPEC; it should look beyond CPEC and economic integration with China and other platforms.

In the absence of such preparedness, Pakistan would not be able to secure any meaningful engagements. It is not a self-assumed conclusion; it is based on the analysis of past experiences. Lack of preparation always hurt the interests of Pakistan. Most of the time we try to shift the blame on our partners without self-accounting. For example, Pakistan and China concluded the first FTA in 2006. As a result, China’s exports increase to US\$ 15.74 billion in 2017-18 from US\$ 3.5 billion in 2006-07. On the contrary, Pakistan’s export only increased to US\$ 1.74 billion in 2017-18 from US\$ 574 million in 2006-07.

The reason for the low growth in the export of Pakistan was the lack of preparation for Pakistan during the negotiation of FTA. Moreover, Pakistan offered products that were of little interest to China or China was a big-time exporter of those products. Pakistan tried to refine the second FTA and asked China for favors but a systematic approach to building the base for export was not given much attention.

China is ready to help Pakistan to transform its economy, but we need to show China that Pakistan is also ready to transform the economy. This will not come from rhetoric but from concrete steps to re-order the economic and policy order of Pakistan. For that purpose, Pakistan needs to come out of euphoria, rhetoric and revolution theories. Pakistan can learn from its own experience in the fields of defense and nuclear cooperation with China. It is considered one of the most successful examples in the world. The reason for success is that defense and nuclear sectors' people always go with a solid plan and tangible outputs. They do not waste time on rhetoric.

The same can be applied to the economy. The PM should carry this message to China that we are now ready to follow steps of defense and nuclear cooperation in the economic file. We are ready to come out of rhetoric and take practical steps. Moreover, Pakistan will take all necessary steps to adopt the approach of "transformation not revolution". This will definitely help PM to get encouraging responses from the Chinese leadership and strengthen the status of PM. PM already enjoys a good reputation; these practical steps will enhance his prestige and promote his image of a visionary leader among Chinese leadership.

From: CRSS Blog Islamabad, October 6, 2019

<https://crssblog.com/pm-khans-china-visit-and-need-for-an-economic-order-reset/>

Pak-China Relation and Expectations of the USA on 22 July

The trade war between China and the USA has been intensified after the release of the National Security Strategy (NSS), 2017 of the USA. Mr. Trump's administration has declared its relationship with China as "strategic competition" and took it beyond the field of economy. NSS has declared that innovation, modern technology, and economic prosperity are key elements of its national security. A vigorous campaign has been launched by the USA to secure its interests by one or another way. Washington administration is not leaving any option untouched in the pursuance of its objectives of the National Security Strategy. The USA is very vocal and explicit in its campaign and treating all countries equally to seek cooperation.

Israel is the closest ally and the strategic partner of the USA is also facing similar demands from the USA. Mr. Trump explicitly asked Prime Minister of Israel to toe the policy of the USA towards China. In March 2019, Israel was told by the White House to not venture in the field of communication technology with China otherwise the USA will limit its cooperation with Israel. Security Advisor, Mr. John Bolton also reiterated the words of President, Mr. Trump. It has compelled Israel to rethink its engagement with China. Five Eyes, alliance members (Britain, Canada, Australia, and New Zealand) are facing similar demands from the USA. USA is also pursuing its allies, friends and other countries to cooperate with the USA to counter China. The story of the ban on Chinese companies is another dimension of the actions of the USA.

The USA is feeling that it has lost the decade in the war on terror and China has acquired the space in the global economic and security landscape. China managed to expand globally and build strong linkages across the world. Belt and Route Initiative (BRI) is pushing away the USA from Asia-Pacific and other close allies. Now China is also emerging as a major player in the fields of technology, modern IoT infrastructure, and innovation through its companies and government institutions. The fear of the USA to lose a place in the global architecture of economy, technology and innovation are the compelling USA to take desperate measures.

In this context, the upcoming meeting of Prime Minister Imran and President Donald Trump becomes very important apart from other aspects. No doubt the terrorism and peace process in Afghanistan would be high on agenda but Pak-China relation would be a topic to follow. By keeping in mind, the USA's actions and its strategy even with the closest ally Israel compel us to think about the possible demands from the USA on Pak-China relations. It is further strengthened by the fact that Pakistan is a key ally of China and frontline members of BRI. China-Pakistan Economic Corridor is the flagship project of the Belt & Road Initiative.

Pakistan is already facing opposition from the USA and its allies for joining BRI and leading the CPEC. The USA has publicly shown its displeasure. Foreign Secretary of USA, Mr. Pompeo publicly announced that IMF package should not be used to pay CPEC loans, which is the self-assumed perception of the USA. Although Pakistan declined this observation, multiple times but they are not heeding head to it. West including the USA and India also propagated that CPEC is a debt trap, which Pakistan rejected many times but still these countries are emphasizing it. A campaign also has been launched by many western organizations by using the name of the environment and social impacts. On top of everything, the USA is also offering Pakistan alternatives. The situation has become more complicated during the last one and a half years.

Prime Minister of Pakistan will have to be very conscious about the subject. It can come in discussion at any point in discussion, especially during the joint press conference or any media interaction. Pakistan must

develop a strategy to avert such a situation or develop strategy and policy paper for discussion. One believes that the government has good minds and hands which can design and develop good policy. However, there are few things which the government can consider in developing their strategy paper.

In the first place, the strategy should be to avoid any such discussion and remain on the agenda points of the meeting. The polite way would be to remind the USA that meeting is designed for something else; these things can be discussed at the appropriate time. In case it becomes necessary to discuss (it has high probability) then following things should be kept in mind.

First, Pakistan needs to define a clear line discussion. The focus should be on its economic revival and the bilateral relationship. Pakistan should emphasize that Pakistan is a sovereign country and free to pursue its bilateral relation without compromising its principles of the foreign policy of mutual respect and interests. Pakistan's actions are according to norms and rules of globalization.

Pakistani delegation must have a well-developed review of CPEC related projects with themselves. Pakistan should explicitly break down the impact of each intervention under the CPEC. The major point of paper should be the opportunity cost of no CPEC. It is an open fact that in 2015, Pakistan was losing US\$ 4-5 billion due to electricity shortages. In 2012, Pakistan needed US\$ 1.5 billion to rehabilitate the road infrastructure, which deteriorated due to the continuous use of NATO containers. Foreign Direct Investment (FDI) came to the lowest level. Pakistan was in dire need of a revival of the economy. No country was interested to invest in Pakistan. In the time of need, China came forward to bail out Pakistan.

Second, Pakistan should also develop documents that can negate the perception of the USA about the debt trap dimension of CPEC. It would be a very easy task, as Pakistan has already had a breakdown of each and every document. Moreover, Pakistan should also highlight its domestic contribution to CPEC related projects. It will help to mitigate the notion of the debt trap.

Third, Pakistan should highlight that Pakistan believes in a global system of mutual interests and benefits. Therefore, Pakistan is pursuing all options available to strengthen the global system. Globalization, as it was perceived, is a way for sustainable development and prosperity.

Fourth, there is dire need of working on public diplomacy. It is critical to creating a positive way in Washington. Unfortunately, public diplomacy space is filled with critics. Although it is late, Pakistan can still manage to organize talks of Prime Minister in few universities. Universities will play a good role to disseminate perspective of Pakistan. It is certain, there would be some very difficult questions, but Pakistan should not shy away to answer the questions. Moreover, it will also provide an opportunity for Pakistan to talk about the subjects of its choices. Moreover, media talks can also be organized to deliberate on the subjects.

Fifth, Pakistan should activate its friends and lobbyist in Washington and New York. They must be given the task to appear in public gatherings and media to cultivate a positive image of Pakistan. Moreover, social media space must be wisely used to share the history of friendly relations between both countries.

Sixth, Pakistan should highlight its role in building a relationship between China and the USA way back in the 1970s. It helped China and the USA to build strong relationships in many fields including trade. A neutral Pakistan in the future can again play such a role. Therefore, Pakistan can ask the USA to keep Pakistan out of its policy to contain China and Pakistan will not be available for that. Moreover, Pakistan should convey to the USA that the USA is 20 years late to contain China. Therefore, the USA should concentrate to build a relationship with China. Trade war or competition will not serve the purpose, but cooperation can make this world beautiful. It is necessary to prosper planet earth. Cooperation will also help the USA to tackle its issues relating to the economy.

Lastly, it is closer to the reality than the USA will discuss CPEC and China-Pakistan relations. Analysis of the last two years' official engagements supports this argument. The USA even did not hesitate to discuss it with Israel and close allies. Moreover, USA pursued it with all means and talked to minimize its' cooperation if allies will not toe its

policy of China Israel's example is being repeated here because Mr. Trump is considered the most pro-Israel President if he is not sparing Israel then what to talk about any other country. Therefore, Pakistan needs to be prepared for difficult questions and should not shy away to discuss it. Pakistan has a really strong case here. Now it depends on the team how they pursue it and how they present it as a mutually beneficial program.

Political economy of energy and CPEC

The political economy influences decision-making, which undermines the performance of economy and results in politicising of the economic priorities. Although all sectors of the economy are bearing the brunt of this situation, the energy sector has been impacted the most. The story of politicising the energy sector started after a World Bank report in the 1960s, which emphasised the need for building dams including the Kalabagh dam well before the end of 1990s. It was deemed necessary to meet water and energy needs of the country.

Regrettably, Pakistan did not pay much attention, except for building a few small dams. A lack of seriousness resulted in load-shedding in the 1980s and the 1990s, which compelled Pakistan to look for immediate solutions.

The political economy again came into play and caused the wrong turn, and the state started to invest in fossil fuels. The Power Policy of 1994 provided an opportunity to the private sector to earn enormous profits in the most favourable conditions for investment. As a result, Pakistan got entangled in problems like import of fossil fuels and ignorance of renewable energy, especially the hydroelectric power. The Alternative Energy Policy 2006 tried to make up for the loss but without much success.

Politics around the energy sector once again pushed Pakistan to an era of load-shedding in the late 2000s. The cost of load-shedding jumped, both at the societal and economic levels, at the beginning of the second decade of 21st Century.

In 2013, the supply of electricity stood at 14,835 megawatts against demand for 20,695MW. The annual cost was estimated at \$4-5 billion on the economic front (Vision 2025). The social cost was hidden as there was no mechanism in Pakistan to measure the psychological impact and its relevance for mental health. Pakistan had no resources to combat the challenge and no country was ready to invest in this country due to terrorism. Pakistan was scrambling to find investment to overcome power blackouts.

Coming to rescue

In this situation, China put trust in Pakistan and began to invest in the energy sector. It took the risk against all odds to help Pakistan during those testing times.

In the meantime, many Chinese workers were targeted and some of them were killed. For private companies, it was risky to put resources in a terrorism-hit country, but Beijing and its companies continued to support Pakistan and introduced the China-Pakistan Economic Corridor (CPEC).

CPEC's investment not only helped to manage load-shedding but it also contributed to job creation. It created about 23,000 jobs in different phases, especially in the most backward areas of Pakistan like Thar. Thar, once the talking point of hunger and high children mortality rate due to malnutrition, is turning into an energy hub. Another success story in Thar is the inclusion of women in livelihood opportunities

This was not in the interest of the rivals of Pakistan and some international players. They launched a smear campaign against CPEC, more specifically against energy projects. The favourite propaganda was against adverse impact of coal power plants, loans and corruption. First, they targeted the coal power plants, arguing that Pakistan was disturbing the global greenhouse gas (GHG) emissions balance through its investment in coal, which constituted only 13% of the energy mix. Disappointingly, they still insist that Pakistan should immediately stop investing in coal without realising the need and poor development status of the country.

It seems foreign countries and companies are not interested in understanding the domestic dynamics. Thus, they are at the forefront of running a slanderous campaign against CPEC. They provide the required fuel to ignite the propaganda and spread it. Critics of CPEC projects conveniently ignore two facts. First, they purposefully overlook or try to undermine the investment in renewables under the CPEC umbrella. CPEC is building a good number of wind, solar and hydroelectric power projects and many of them are already operational. Hydroelectric power projects of 1,590 megawatts will start functioning in the next two years. Kohala and Azad Pattan dams are other projects agreements for which have been signed only a few days ago.

Renewable sources

It is heartening to note that both China and Pakistan are working to find new opportunities of investment in hydroelectric power and other renewable energy projects. Apart from energy, Pakistan is also heavily investing in tree plantation. The introduction of electric vehicle policy and support to the sector is another significant move to promote the green development agenda.

Simultaneously, Pakistan will retire 11,511MW of fossil fuel-based energy plants till 2047. It is more than the investment in coal-based energy, leave alone other investments in renewables, plantations, electric cars and other initiatives. These all actions will help to offset the GHG emissions.

Secondly, they forget to mention the consumption of coal-based electricity by the developed countries and regions like the US, EU and many others. For instance, the US – the most developed country – produces 23.5% of electricity from coal. BBC reported in January 2020 that Germany produced 35.4% of its electricity from coal. Although it is planning to phase out coal energy but gradually and in a wise manner till 2038 by providing a hefty package of 40 billion euros.

In the EU, coal has a 14% share in electricity production. EU member states are now trying to phase out coal but it will take a long time. They can afford it as they have immensely benefited and earned the resources

to do so. Though they can do it immediately as they have resources but still they are insisting on phasing out in a systematic manner. However, they pressure Pakistan to do it immediately, which is odd. Emerging economies are also following in the footsteps of developed countries. For example, India is producing 77% of electricity from coal and now PM Modi has announced the opening of new coalmines. According to 2017 data, South Korea produced 44% of electricity from coal, South Africa 88% and Indonesia 58%. Russia, Japan and Turkey also feature among top 10 coal-based electricity producers.

Corruption allegations

Another point raised is corruption to malign CPEC. Unfortunately, the fuel to the campaign was provided by an incomplete assessment report, which was leaked by some vested interest groups. Although rules and regulations based on which these projects were negotiated were already in place under the Power Policy 1994, still Chinese companies were being criticised. Chinese companies are availing facilities, which are already being offered in Pakistan. Moreover, if there is any incident of corruption, Pakistan government should talk to the Chinese government directly. It would be more useful as Beijing has zero tolerance for corruption, which is clear from the anti-corruption campaign, led by President Xi Jinping. If any Chinese company is found to be involved in corruption, China will make an example out of it, for other companies.

To summarise, it is pertinent to mention that the smear campaign will continue as it is in the interest of opponents of CPEC. Pakistan and China should not be worried about it but they should put the right instruments in place to counter it like a well-designed engagement strategy.

From: The Express Tribune Islamabad, July 12, 2020
<https://tribune.com.pk/story/2254551/political-economy-of-energy-and-cpec>

CPEC criticism: What needs to improve?

Since the inception, the China-Pakistan Economic Corridor (CPEC) has been under attack. Leading powers see it as a geostrategic initiative and continue to engage in criticism. The story is still going on without any interruption. Western think tanks also keep producing material to lash out at CPEC on one pretext or the other. They have found a good partner in the region in the form of India. Unfortunately, the potential huge economic benefits are undermined in this campaign. Pakistan and China have been striving to highlight benefits of the economic corridor for the region and beyond for the past six years. At the same time, Pakistan needs to be cognisant of the fact that there are some areas that need to be focused on to silence the CPEC detractors.

First of all, the country needs to understand that CPEC is an economic initiative and not a charity programme or aid initiative. It should focus on economic dimensions of CPEC. Inability to do so will impact the economic benefits. Second, there is no second opinion that Pakistan and China are iron brothers and have stood with each other in testing times. However, many of the companies doing business under CPEC are not government entities. They are here to do business and will put in every effort to secure benefits for their own companies. Pakistan should learn how to engage with them and come up with right proposals to negotiate projects under CPEC. Unfortunately, Pakistani officials waste much time in rhetoric and give less attention to developing project proposals according to the country's economic needs. This also impacts the reputation of China. Though Beijing is trying to assist Pakistan, it comes under criticism due to that issue, which is unfortunate and unfair.

Third, China has designed the gigantic CPEC project to create a win-win situation. CPEC is equally important and beneficial for China as well that will provide a vital trade route for Beijing. A study highlights that if China uses the CPEC route for trade with six countries in the Middle East and Europe, it will be able to save almost \$70 billion annually. The estimate is based on data for the year 2016-17. Pakistan will also earn good revenue of around \$6-10 billion through different types of services and fees. Mutual gains from the industrial, agricultural and scientific cooperation will be even more rewarding for both the countries. Thus, the focus must be on implementation and completion of projects on time.

Undue hype

Fourth, there is a need to rationalise expectations. CPEC is not an answer to every problem of Pakistan. No doubt, it is the biggest project in Pakistan's history, but the national economy is bigger than that. Hence, the country will have to create other avenues and there is no need to create undue hype. Besides, Pakistan also needs to learn from China as to how to keep things low profile. Any irrational behaviour gives rise to two major problems that also give a chance to opponents to play games.

On the one hand, the irrational behaviour creates a class of people that goes beyond limits to praise something. That, in turn, makes policymakers lazy. On the other hand, it paves the way for a class of people that opposes CPEC like a hell. They hold the project responsible for many ills in Pakistan. They keep criticising the programme, just for the sake of criticism.

Fifth, the engagement strategy is very weak. It only depends on marketing and social campaigns. Furthermore, the tools of marketing are also very weak. We are living in the 21st Century and are trying to win the war with tools of 20th Century. The circumstances call for building a creative engagement strategy, which caters to the demand of the 21st Century. It should not be only marketing and social media strategy. These should be part of a broader engagement strategy. This will not only help to attract the audience but will also sustain the audience. Moreover, officials do not make efforts to get feedback, which is very important as it helps to refine

policy interventions. The core of the engagement strategy is to have two-way flow of views. People feel comfortable when their views are listened. It can help to create personal linkages or make commitments. It also motivates people to be part of the solution.

However, the focus of the strategy must be the people, not only selected groups. The real strength would be when officials reach the grass roots levels. To develop the strategy for CPEC, some lessons can be drawn from employee or member engagement strategies. Fifth, incentives should be framed and offered to encourage different countries of Europe to be part of CPEC. In this regard, the planned Special Economic Zones can provide a handsome opportunity. The starting point can be the setting up of a sister park in Pakistan of China's Sino-German Park. Its successful execution will help to expand the strategy and will encourage other countries.

Last, the best way to counter the propaganda is reliance on knowledge and not rhetoric. There is a need to engage knowledge houses to support the engagement strategy.

Understanding the CPEC

In 2019, the World Bank released three studies, including 'Common Transport Infrastructure', 'A Quantitative Model and Estimates from the Belt and Road Initiative', 'The Belt and Road Initiative Economic, Poverty and Environmental Impacts', and 'The Belt and Road Initiative Economic, Opportunities and Risks of Transport Corridor'. The studies were conducted to analyse the potential impact of the Belt and Route Initiative including the China-Pakistan Economic Corridor (CPEC). The studies produced substantial evidence which highlights the positive impact of the BRI and CPEC till 2030 (World Bank, 2019).

The studies highlighted the importance of CPEC for Pakistan and its role in the development quest of Pakistan. CPEC presents multidimensional benefits for Pakistan. It has been predicted that there would be an increase of 6.43 percent in national GDP due to transport infrastructure. The increase can be enhanced to the level of 14.03 percent if the government brings reforms in other sectors including trade, investment, and ease of doing business. The reforms in investment and ease will be key to realize

the dream of industrialization. The government of Pakistan is fully cognizant of the fact and is trying to introduce the required reforms.

On the welfare side, Pakistan will also be among the major beneficiaries of BRI countries. It has been stated that the total welfare gain due to CPEC would be 5.18 percent due to transport infrastructure. It can further be enhanced by introducing reforms and can reach the level of 10.51 percent. The enhanced welfare gains will contribute in reducing or eliminating poverty in Pakistan. The report highlighted that due to welfare gains almost 1.1 million people will come out of the poverty trap. Better transport infrastructure will also help Pakistan increase trade. It has forecast that Pakistan's trade can increase by 9.8 percent if Pakistan implements reforms well in addition to transport infrastructure under CPEC. It would be a huge contribution, keeping in mind the existing situation of trade.

The employment sector is another area where Pakistan would benefit. It has been estimated that CPEC-related infrastructure projects will create four million jobs directly. The indirect count of jobs would be even larger. The implementation of SEZs will also revolutionize the job sector and create new opportunities for entrepreneurship, which can be the key sector to accommodate the youth bulge.

These projections by the World Bank can be qualified by the prevailing facts and contribution of the first phase of CPEC. Pakistan has already witnessed tremendous benefits from CPEC-related interventions. Latest figures tell us that CPEC created 75,000 jobs for Pakistanis (China Embassy 2019). That means that 75,000 families had the opportunity to combat poverty. CPEC also helped Pakistan manage electricity loadshedding.

Pakistan was suffering and no one was ready to invest in the energy sector. Vision 2025 pointed out that electricity loadshedding was undermining GDP growth rate by a factor of 2 percent. In monetary terms, it was imposing a loss of \$4-5 billion annually. CPEC-related investment in the energy sector helped control this loss to a large extent. It is also contributing to tackle issues of aging plants and infrastructure related to electricity.

Transport infrastructure is another sector which contributed to overcome problems of connectivity. Infrastructure plays a key role in setting the direction of industrial development and trade enhancement. Pakistan was in dire need to rehabilitate and construct new infrastructure. Bad transport infrastructure caused a loss of 4-6 percent to GDP (Vision 2025, Pakistan). Small and Medium Enterprises (CPEC Official Website) also benefited from the investments of CPEC. SMEs inclusion is a positive sign, as SMEs in all economies play a leading role in the creation of jobs and spread of economic benefits.

CPEC also contributed to an increase in the GDP growth of Pakistan. It has been estimated that the contribution of CPEC to GDP was almost 2 percent. Owing to CPEC, Pakistan touched 5.8 percent GDP growth rate in 2018 (Pakistan Economic Survey, 2018-19). It has also helped Pakistan sustain external shocks.

However, the most interesting part of all the benefits is that the small provinces will get maximum benefit. The World Bank reports highlighted that the major beneficiaries in Pakistan would be Quetta and Peshawar, followed by Lahore and Karachi. That is good news for Pakistan, which is already striving to develop Balochistan.

Most recently, the government of Pakistan started a new program for the development of Balochistan. A few days back, the government and Pakistan and the CPEC Authority too deliberated on a development package for Balochistan.

The Gwadar Port has already been operationalized and has started to deliver benefits to the people of Balochistan. The port has introduced multidimensional benefits for the province and will turn Gwadar city into a hub for regional connectivity. Transit trade through Gwadar will bring new opportunities for livelihoods for local people and province. It will also help enhance trade with Afghanistan, especially from the Balochistan border.

Besides, Chinese companies are also contributing to local development. For example, COPHC, the executing agency for the Gwadar Port has created more than 4000 jobs during the last five years in Balochistan.

COPHC is also contributing in the education sector. It has built a school in one of the most backward areas of the country.

Free Economic Zones in Gwadar is another big initiative. It is in the advanced stages of development and many companies have registered their business in Gwadar. The government of Pakistan has offered a comprehensive and lucrative package for industrial development in Gwadar and companies are investing to benefit from it.

Eco-tourism is another area in which Pakistan is investing in the coastal areas of Balochistan. Pakistan and China are also working to help the local fishing community modernize their way of fishing. Both governments have planned to enhance the fish trade from Balochistan. Now, under the Balochistan development initiative, the government will be offering development packages to other parts of the province.

These initiatives indicate that Pakistan is fully focused on the development of all provinces, especially the smaller provinces. However, we need to understand that the development process takes a long time to bear fruit. We need to be patient to evaluate the development process and wait for the full execution of all interventions. The early signs of development dividends are visible and the second phase of CPEC will help spread it on a wider scale.

From: The Express Tribune Islamabad, May 31, 2020
<https://tribune.com.pk/story/2232569/cpec-criticism-needs-improve>

The Chinese model and CPEC

The life history of Yellow Emperor, the father of China, teaches one very important lesson to its followers. There is no glory without hard work and looking for new means of well-being for the people. He believed in action, not rhetoric. He taught his men the art of agriculture, taming wild animals and building shelters. The wife of emperor taught the people the art of sericulture and paved the way for modern-day silk industry.

The emperor presented himself as a father figure for his people, not a ruler. He devised systems of governance and development which keep the people's well-being and prosperity at the centre. A similar strategy is visible today in the policies of the Communist Party of China (CPC).

The CPC manifesto is not merely a policy document; it is a rigorous plan of action. The modern China which emerged in 1949 launched a comprehensive reform programme in 1978.

The reform programme is built on two pillars, 1) attract investment and promote trade, and 2) ensure well-being of the people through resource distribution. For attracting investment, it introduced the extra country incentives system for investors and companies to invest in special economic zones in China, in addition to quality infrastructure and cheap labour. It helped China attract huge investment and turned China into world's factory. It also led to enhancement in trade and now China is a leading trader of the world.

Simultaneously, China introduced a comprehensive system and programme to achieve prosperity for everyone. It launched programmes which were focused on providing food security, education and health care.

China has kept changing the structure of the programme according to its needs. The objective meanwhile has remained unchanged - the prosperity of people. Its success is evident from the sharp decrease in poverty during the recent decades. Now Chinese President Xi has made it the prime objective of the state. He is striving hard to eliminate poverty and achieve prosperity for all.

The brief narration of two periods, specifically the two-pillar strategy, carries very important lessons for Pakistan. The China-Pakistan Economic Corridor (CPEC), which is steering the development agenda, makes it even more relevant for Pakistan. Thus, it is necessary to heed the lessons from China's experience. It will help Pakistan understand China better and develop the right instruments for cooperation under the CPEC umbrella.

The first lesson is that mere rhetoric does not pay. We need to learn from China that only practical steps matter. From Yellow Emperor to the CPC, Chinese leadership has led the way through action and kept a low profile otherwise. For example, since 1978 China is tirelessly working to change the fate of the country but still, they say China will be a moderately developed country in 2021. Some of Pakistan's leaders however have tried to lead with rhetoric. We have just entered the second phase of the CPEC but some of our leaders have started making big claims. This can be counterproductive and create hurdles in the way of CPEC.

The first lesson is that rhetoric does not work. We need to learn from China that only practical steps matter. From Yellow Emperor to CPC, Chinese leadership led the way through action.

The second lesson is, attract investment by offering extra-country benefits but maintain the focus on local needs. China started the journey by applying this principle in Shenzhen. International investors rushed to China and FDI in Shenzhen paved the way for further investment in the country. However, China kept a balance between private investment and role of Chinese state-owned industry and enterprises.

Pakistan, on the other hand, is still unclear about what benefits to offer and to whom. The most alarming part is that the announcement of any incentive policy for attracting investment has always been met with

opposition. When the government recently announced incentives for investment in Gwadar, there was a lot of it on display. We need to realize that this is hampering the investment potential of Pakistan and, more specifically, the development of SEZs.

Pakistan needs to come out of this and draw a clear policy. Besides, Pakistan should focus on the role of state-owned enterprises and not entirely depend on the private sector.

The third lesson is the economic governance and development model, which in China's case is based on the concept of people's well-being. Pakistan should redefine its model of economic governance and development which has been built on the concept of profit and trickle-down.

The fourth lesson is that local wisdom is the key and prime factor for bringing change. This has been proved from the experience of many countries, but Pakistan has yet to focus on it. We need to learn that there is a difference between learning from best practices and importing business models.

Pakistan must bring fundamental changes in its economic model to avoid the past mistakes and make the CPEC a success story. First of all, Pakistan has to focus on local wisdom. This will help it at two fronts, first, it will help it plan CPEC projects according to the actual situation and needs of the country. For example, at this point of time Pakistan needs investment in sectors which can create a large number of jobs. Agriculture and industrial sectors are perfect choices on this front. We also need investment in science and technology, but that is a long-term project. Second, it will infuse confidence in people as participants in the system. They will try to learn new ways of doing business with China.

The government should engage with people who understand the development and governance model of China. It is necessary because Chinese model is based on a mix of private and state enterprises, and distribution of resources not trickle-down and privatization.

Lastly, the most important intervention needed is consolidation of work through consolidation of institutional framework. It is good to note that

the government has started taking the right steps to streamline the CPEC-related work.

The Ministry of Planning, Development and Special Initiatives is the focal body, the Board of Investment (BOI) makes decisions on investment rules and regulations, SEZs are also dealt with at the BOI and now execution is under the CPEC Authority. On top of that there are provincial governments, which have their own agendas for investment and development. There is a need to make a central point and ask all institutions and stakeholders to follow.

From: The News International, Islamabad/Rawalpindi, Sunday June 20, 2020
<https://www.thenews.com.pk/tns/detail/678643-the-chinese-model-and-cpec>

China-Pakistan Economic Corridor: Story of Brotherhood

Evolution of China-Pakistan Economic Corridor

Pak-China relationship cannot be expressed or comprehend in as usual manner or in the frame of diplomatic theories. It is an inimitable bond in many aspects and every aspect has its own dynamics and values. Howbeit, from the beginning, one thing remains constant, the trust and brotherhood. History witnessed several events where both countries remained committed and stood shoulder to shoulder with each other. Pakistan was first among Muslim countries and 14th among the global community to recognize People's Republic of China. Since, 4th January 1950, Pakistan stands with People's Republic of China and disengaged with Taiwan. Pakistan provided air space to China in 1960s for global connectivity, when it was going through the harsh sanctions by Western countries.

Pakistan also showed firm commitment and support when USSR started to disengage with China and border conflict started between two countries. Pakistan reinforced the Three World theory by Chairman Mao. The establishment of contact between China and USA to break the ice is a milestone of history. It laid the foundation of China-USA relationship, which helped both countries to economically together. Pakistan also assisted China to have its legitimate seat at UN and UN Security Council, which was occupied by Taiwan.

China never forgot the assistance of Pakistan during the most difficult times of China. Chinese leaders and people always keep it very close to their heart and express it verbally and practically. China always stood firm with Pakistan in every field and at every occasion. China and Pakistan kept

improving economic, social, cultural and security ties along the course of history. The beauty of China cooperation is that it tries to build capacity of Pakistanis and impart the skills of doing business, industrial or defence production. China aided Pakistan to build Heavy Mechanical Complex Taxila, which is now leading defence production facility. China also assisted Pakistan in developing Heavy Forge Factory, Pakistan Aeronautical Complex, Pakistan Ordnance Factories and production facilities for Navy etc. But JF-17 thunder stands among all cooperation in the field of defence.

Along the course of history, both countries also continued to expand cooperation in other fields. Pakistan and China signed Scientific and Cultural Cooperation Agreement in 1976 and Education Exchange agreement in 1983. Economic cooperation is another area which always remained in discussion. Howbeit, the economic relationship took a new turn in 2000s. President Musharraf visited China in 2000 and asked the Chinese leadership to expand our economic linkages in a comprehensive manner. China responded positively and started to engage in continuous consultation to find ways for mutually beneficial economic cooperation. President Musharraf also requested China to invest in Gwadar. Chinese Vice Prime Minister was present at the inauguration of Gwadar Port in 2002.

The economic cooperation continued to grow due to special efforts of leadership of both countries. In 2003, President Musharraf and President Hu Jintao agreed to inflate the economic linkages according to values of brotherhoods. It was further discussed that both countries would work to find ways to benefit from the geographical and political advantages. Beijing Declaration, 2003, which was signed by President Hu Jintao and President Musharraf is a comprehensive document, which outline the future direction of cooperation. It encompasses almost all areas of economic and social development. The major areas identified for cooperation were;

1. Economy
2. Trade

3. Investment
4. Agriculture,
5. Science and technology
6. Tourism

It was also decided that the both countries will remain engage to find ways of cooperation in the fields of telecommunication, water conservancy, electric power, aviation and space technology, computer, automation, metallurgy, IT, medicine and health, petrochemistry, biotechnology and peaceful utilization of nuclear power, industrial zone, human resource and export zones etc. The decision was also taken that the government officials and higher leadership will continue to visit each other country for further strengthening relationship.

In continuation of this commitment in 2006 President Hu Jintao visited Pakistan. He signed two very important agreement, 1) Free Trade Agreement and 2) Framework Agreement on Energy Cooperation. President Zardari also kept the spirit alive and visited China many times. He kept looking for new avenues of collaboration. In 2013 Prime Minister Li Keqiang came Pakistan and agreed on a comprehensive framework of cooperation, which was built on the contour of Beijing Declaration 2003. The efforts finally culminated into CPEC in 2015. President Xi Jinping during his visit in 2015 signed the CPEC and announced that China will invest in Pakistan to give boost to economy and development of country. It was landmark event, as Pakistan was starving for investment and no one was ready to invest in Pakistan due war on terror. Even our allies in war on terror like USA, NATO countries and other friends were hesitant to invest. In such circumstance China came forward and proved that China and Pakistan Iron brother, not in rhetoric but in reality.

Progress and Performance of CPEC

CPEC has designed in a phase wise manner. First phase was designed to benefits from the low hanging areas and meet the urgent needs of Pakistan like energy and infrastructure. The second phase is all about the industrial cooperation. The purpose of second phase is to help Pakistan graduate

from primary to secondary economy. The long-term plan is developed to meet the future demands, especially in the areas of fourth industrial revolution. The government of PML-N immediately launched the CPEC and started to implement the first phase of CPEC.

It is heartening to know that CPEC started to deliver benefit from the first phase. The first phase helped Pakistan in many ways. First, it assisted Pakistan to overcome the manic of load shedding, which was impacting every sphere of economy and society. Load shedding was a common phenomenon all over Pakistan in 2014-15, even the cities like Islamabad, Karachi, Lahore etc., were going through worst phase of load shedding. Industry and business sectors were bearing the worst impacts. It was imposing huge economic and social cost. According to Vision 2025, the annual loss in 2015 due to load shedding was about US\$ 4-5 billion. It does not include the social impact, which has many dimensions including mental health issue. Second, it also helped to expand the transport infrastructure, which was in bad shape. In 2012 it was estimated that Pakistan need US\$ 1.2 billion to rehabilitate the transport infrastructure. CPEC not only helped to rehabilitate the infrastructure but also helped to build new infrastructure.

Third, Gwadar Port is another big contribution of first phase of CPEC. It has multidimensional benefits. It will reduce the burden on Karachi port and city. It will be engine of growth for the Balochistan. It will also act regional hub for connectivity and transit trade, especially with Afghanistan. Fourth, it also has been estimated that first phase created more than 75000 jobs, especially in marginalized areas like Gwadar and Thar. Thar, once reference point for hunger and child mortality is rapidly turning into energy hub. Women are equally benefiting from the opportunities, especially in the Thar. It is huge contribution in job starving market of Pakistan.

The contribution of second phase and long-term phase would be multifaceted. It will help to revive the economy and bring back Pakistan on development path, if implemented in accordance with the long-term plan. The second phase has been designed to create massive employment, livelihood opportunities and social development through industrialization

along with agriculture, social development and cooperation in science and technology. Private sector from both sides will spearhead the industrial cooperation. The preferred mode of cooperation would be joint ventures between Pakistan and Chinese industrial groups. The role of government would be facilitator for smooth implementation.

Special Economic Zones has been designed to foster the process of industrial cooperation. Both governments have started work to establish nine special economic zones (SEZs). SEZs are spread across the country. The pace of work is picking up on SEZs after the establishment of CPEC Authority. CPEC Authority is focusing on the provision of basic facilities like water, sanitation, infrastructure etc. Although, the work on all SEZs is going on but Allam Iqbal, Rashakai and Dhabaji are in advance stages. It is encouraging that big number of Chinese companies are showing interest in the SEZs and looking building close cooperation with Pakistani companies.

Expansion of areas of cooperation is another prominent feature of second phase of CPEC. Both governments are trying to include new areas of cooperation. In the pursuance of this vision the cooperation has been expanded to agriculture, science and technology sectors and social development sectors. Two MoUs were signed in March 2020 to strengthen cooperation in agriculture and science technology during the visit of President of Pakistan to China. Although, President of Pakistan visited China to show solidarity, as China was struggling to come over COVID-19 but China used the visit to show the deep-rooted brotherhood by offering to sign the MoUs. Timing is also important because world was struggling to sustain the shocks of COVID-19 and economies were on nosedive. Trade and services sectors were observing the worst shocks. Investment was drying up from the international market. In these circumstances both countries decided to expand the cooperation, which highlight the uniqueness of relationship and care for each other.

Agriculture MoU, 2020, would be helpful to tackle present challenges, needs and lay foundation for modernization of agriculture sector to meet future demand of food and raw material. It is outcome of continuous pursuance of Pakistani leadership for assistance in agriculture sector. It

also outlined the direction for future collaboration. Besides it is a living document and can be amended according to the need and changing dynamics. Pakistan and China have created different groups and mechanisms like China Pakistan working mechanism, sustainable agricultural cooperation, joint agricultural working group and agricultural cooperation under the CPEC framework. The purpose of groups and mechanisms are to accelerate the process of execution and materialize the agreed points of collaboration.

The identified areas of cooperation are; technology, R&D, scientific knowledge, disease control supply chain management, certification and trade etc. The areas have been selected in accordance with need of Pakistan. It is well known fact that Pakistan needs support in numerous fields to tackle the multidimensional problems of the sector including productivity, supply chain and better inputs. It is expected that the research and development will help to enhance productivity of agriculture, as we know low productivity is haunting Pakistan for long time. National average of yield of major crops wheat, cotton, rice, maize and sugarcane is 2.26, 1.87, 2.88, 1.77 and 48.06 tons per hectors, respectively. It even lower than the progressive farmers in the country. The major contributing factors for low productivity are research and extension services, along with other factors. It has been calculated that research gap for these crops' yield is 34 percent, 33 percent, 12 percent, 19 percent and 64 percent respectively.

Hence, both governments concentrated to enhance the research and scientific capacity and capability through mutually agreed programs. China will be offering scholarships Pakistani students for studying in top notch universities of China to have first-hand knowledge of the latest developments in the sector. Currently almost 28000 students are studying in China and a many of them are from agriculture sector. These students will play a leading role in enhancing the research and technical capacity of Pakistan. These students will not only bring back the scientific knowledge, but the market know how of China. Moreover, specialized vocational training institutes will also be built in Pakistan in long run. In

short run China will impart trainings through agricultural vocational institutes in China.

The MoU on Science and Technology has been drawn to cater future needs and demands. The guidance has also been abstracted from the principles of Fourth Industrial Revolution and its elements like robotics, artificial intelligence, big data and computing. The MoU will be implemented in a phase wise manner in accordance with capacity of human resources and state of development of economy. Pakistan is cognizant of the fact country is lagging behind in science and technology. Although Pakistan has islands of excellence, but system and infrastructure does not support the evolution of culture of R&D, knowledge production and application of ideas. It led to poor state of knowledge and weak culture of R&D, which has hindered the development of science and technology base of country. Thus, both countries have adopted a systematic approach to implement MoU. The systematic approach gives hope that it will be a win-win cooperation.

Social development is another area of expansion of CPEC. Pakistan was very much concerned about the poverty, low skill level and scarcity of livelihood opportunities. China extended the hand of collaboration to alleviate poverty and skill development for decent livelihoods. China has announced to provide more than US\$ 1.1 billion for social development projects. The areas for cooperation include skill development, poverty reduction programs, health, education, capacity building, agriculture and housing. In the first phase of social development China is providing US\$ 100 million for each of agriculture, health and housing sectors in addition to skill development aid to government of Pakistan. China is also helping Pakistan to eliminate locust. China also provided funding for building a specialized hospital to fight COVID-19 in 2020.

Apart from government of China, Chinese companies are also investing in social development of Pakistan. For example, Chinese Overseas Port Holding Company (COPHC) has built a school with the capacity of 1000 students in Gwadar. It is major intervention as the area was in dire need of educational institute. COPHC also joined clean and green campaign of government of Pakistan and last year it has planted 400000 plants in Gwadar. Furthermore, it has committed to plant 1 million plants in next

five years. COPHC also helped Gwadar and Balochistan government during COVID-19 by providing medical supplies and food to people. Huawei is another company which is assisting to build capacity in technological sector. It has established different capacity building centers in universities. Most recently it has signed an agreement to build capacity of 3000 students in collaboration with Higher Education Commission of Pakistan. Three Gorges Cooperation, Jack Ma Foundation and many companies also helped Pakistan during COVID-19. It is good example of people to people cooperation and care for each other.

Propaganda and CPEC

Propaganda against CPEC started even before the inception of program. It is unfortunate but it is reality. The campaign started by USA and India by tagging CPEC to geo-strategic motives. USA started to pressurize Pakistan by one way or other. India jumped in to capitalize the situation and brought in baseless allegations. The campaign continued to grow, and different elements were introduced. First, it was criticized on the allegations that it will impact environment due to coal power points without realizing the share of coal energy in national energy mix of Pakistan (11 percent). They also ignored the investment on renewables energy sources e.g. wind, solar and hydropower under the CPEC. The review of global data shows that the share of coal in electricity for USA is 23.4 percent, Germany 35.4 percent, India 77 percent, South Korea 44 percent, South Africa 88 percent, and Indonesia 58 percent. These are few examples, there are many more.

The other favorite allegation or instrument of propaganda is labor issues. It was highlighted that Chinese firms are bringing Chinese labor and there is no scope for Pakistani labor. It is baseless and has already created 75000 jobs for Pakistan. It is expected that it will create around 4 million jobs till 2030.

The latest recruit on propaganda front are corruption and debt trap. USA and many Western allies are portraying CPEC as debt trap. They are trying to convince people that it would be beyond capacity of Pakistan to pay back. They are also blaming CPEC for debt crisis of the country, which

has no relevance. The debt crisis is mainly due to Western countries and International Financial Institutions. CPEC is basically an investment program with some loans and export credit facilities. It also contains a huge social development program.

There can many reasons of this propaganda but the most prominent are, vested interests of Western countries, India, fear of rise of China and hegemonic aspirations of USA. However, the campaign also got the momentum due to lack of proper engagement strategy and weak information and data sharing mechanism by the government of the Pakistan.

Future Cooperation

The implementation of first phase of CPEC, ongoing work on second phase and expansion of CPEC are good signs of progress. The results also highlight the many success stories like creation of jobs, share in national GDP and many others. World Bank studies also have predicted that the future benefits would be much more if the project impended in its true spirit. The *Common Transport Infrastructure, A Quantitative Model and Estimates from the Belt and Road Initiative, The Belt and Road Initiative Economic, Poverty and Environmental Impacts, The Belt and Road Initiative Economic, Opportunities and Risks of Transport Corridor* presented a positive future picture. According to reports, GDP can increased by the factor of 6.43-14.03 percent, welfare gains can be 5.18-10.5 percent, However, there are many lessons which need to be consider for devising better tools of implementation and achieve better results. The learning from lessons and practical implementation will also help to mitigate propaganda.

1. There is need to create a dedicated body for smooth execution of the CPEC. PTI government and relevant institutions took the lesson with seriousness and created CPEC Authority. Despite opposition from different corners, government remained committed and did not compromise on the decision. CPEC Authority is proving government right by delivering on multiple

fronts. It has achieved many milestones within short period of time. CPEC Authority started its work by settling the outstanding issues. It resolved the problems of Karot HPP, Kohala, Gwadar energy project, Azad Pattan, Shanghai Electric etc. The authority is also assisting to government and private sector to resolve the matters of taxation, incentive policies and timely execution of projects. Authority is taking lead to expedite the work on SEZs, especially in the provision of utilities, services and ensuring good incentive policies. Services, utilities and incentive policies determine the success or failure of any SEZ. It has made sure that the funds for the utilities and services should be released on time in addition to incentive policies for investment in SEZs. Authority is also working to expedite the work on social development projects in the sectors of agriculture, education, training, skills and poverty alleviation.

2. The second lesson is there is need to tackle red-tapism and multiplicity of institution to tackle single job. On one hand these factors are causing delay in the execution and meeting the important deadlines and on other hand creating enormous problems for private sector. Business community hesitate to invest in such circumstances. We have observed that a number of private companies visited Pakistan to explore opportunities to invest in CPEC and SEZs. But majority of them could not make decision to invest due to red-tapism and multiplicity of institutions. Private companies have to face many ministries and department to get simple permission to start business leave alone the operational requirements. Although, Pakistan's ranking on the Ease of Doing Business table has been improved, but practical results are still awaited. Hence, it is suggested that if government wants to attract investment then it should urgently address these issues.
3. To avoid red-tapism government can adopt a two-step strategy. First, government should consolidate CPEC related work under one institution. The institution should be given powers to conceive and finalize all projects in accordance with LTP and mutually

agreed new areas of cooperation. Second, the bureaucratic hurdles should be removed and make a mechanism for the approval and implementation of CPEC related projects on urgent basis. Besides, mechanism should make it binding for government officials to reply or approve or execute CPEC related projects in certain timeframe.

4. Politicizing of CPEC will not serve the interest of Pakistan. It will only strengthen the hand and serve the interests of opponents. CPEC is already facing smear campaigns. It is impacting the smooth implementation of CPEC. Hence, all stakeholders should come out of mentality of undermining the efforts of other parties or institutions. They can continue to take credit for their work, but they should avoid undermining the work of other parties and institutions. Moreover, it is well established fact CPEC is not work of any single government or party. It is fruit of long-standing friendship of Pakistan and China. The history of CPEC shows that the journey started in 1960s and consolidation started in early 2000s during the government of President Musharraf. The Beijing Declaration 2003 provide the complete blueprint of CPEC. Free Trade Agreement (FTA), Framework Agreement on Energy Cooperation, were signed by President Musharraf and President Hu Jintao in 2006. President Zardari continued the work and visited (officially and un-officially) China to enhance bilateral cooperation. Prime Minister Nawaz Sharif also contributed and the CPEC project started during his government. Cooperation is till going on in the government of PTI. So, the political parties and other stakeholders should learn from this and come out of credit game mentality.
5. There should be mechanisms to engage youth of Pakistan in CPEC projects. It is good to note that CPEC Authority has already started to engage youth and launched an internship program. Although, the Authority has started with 100 vacancies, but it can be increased in future. However, it is suggested that government should also work to devise engagement programs for Madrassa

and Un-educated youth. The engagement of madrassa and un-educated youth would be a game changer. It will provide livelihood opportunities to millions of people. It will also help to counter extremism and violence, as most of the time these young are exploited by interest groups.

6. We need to understand the China governance, development and foreign policy to smoothly implement CPEC. The working style of China is different from the Western countries, China tries to keep thing low and try to avoid pomp and show. Second, China keep people at center to make any decision of economic or development. Thus, Pakistan should concentrate to develop projects under CPEC which have direct relevance with the lives of people. We already observed this in the form of cooperation in agriculture and social development sectors. Pakistan just proposed and China immediately signed the cooperation documents. Third, the approach of China for bilateral cooperation is based on two-way consultation on the basis of hard facts and figure. Hence, Pakistan needs to be well prepared for any type of talks on bilateral cooperation.
7. Data sharing would be key to mitigate the propaganda against CPEC, Pakistan and China. In the absence of data and information speculations and rumors rules the market. We have already observed this trend in the case of CPEC. We can find a number of propaganda articles or documentaries, which are based on fiction not fact. The propaganda campaign was focused on maligning China by terming CPEC as debt trap, interference in domestic issues of Pakistan, labor from China and many more. Owing to this propaganda campaign people started to question the CPEC and its utility for Pakistan. It is good to note that government has learned from the past mistakes and now working to improve the data sharing. CPEC Authority has introduced new mechanisms to share data and information. Authority is also working erect a dedicated desk to cater the needs of data and information sharing.

8. Pakistan is in dire need to create good livelihood opportunities for millions of marginalized classes. Pakistan and China have started to work on this. As a result of continuous work of both countries, CPEC has included agriculture and social development sectors, as prime areas of cooperation. It is expected that these areas will help Pakistan to create decent livelihood opportunities. The investment in skill development under social development cooperation will help Pakistan to meet local demand of skilled labor and export the labor. The cooperation in agriculture sector will help enhance the export potential of Pakistan by improving productivity. It will be a good step to improve the status of farmers. These actions will be positive interventions to tackle the issue of poverty in Pakistan.
9. All parties and institutions should avoid discussing the role of China for their mileage. It needs to be understood that China is friend of “The State of Pakistan” not any political party or institution. We have witness in past that China continued to work with Pakistan irrespective of who is in the power. China will never take side of anyone and treat everyone equally.

From: Monthly Hilal Rawalpindi,
China-Pakistan Economic Corridor: Story of Brotherhood & Strategic Partnership
<https://www.hilal.gov.pk/eng-article/china-pakistan-economic-corridor:-story-of-brotherhood-&-strategic-partnership/NDUyMw==.html>

China, BRI, COVID -19 and Diplomacy

CPEC: A New Turf for Power Play

Pakistan is entangled in a web of crises and problems. This country has been a victim of terrorism for decades and suffered on all fronts including human life and the economy. On the economic front, growth is stagnated; rather it is on a declining path in real terms. The trade volume has shrunk and trade balance is negative, which is further aggravating the weak economic indicators. Debt has increased manifold and it has crossed the limit of USD 90 billion.

A non-political institution, Financial Action Task Force (FATF), has been in pursuit of imposing certain sanctions on Pakistan. The USA spearheaded the campaign to put Pakistan on the “grey list” and asserted its pressure to achieve the objective. Placing Pakistan on the grey list would impact FDI, business and financial transactions. It is a deliberate effort to divert expected investments in Pakistan. It is a well-planned and well-timed initiative as Pakistan is expecting to attract investment due to the ongoing success of CPEC. FATF action will discourage and hamper future investments, as no businessman or group wants extra scrutiny.

Owing to the war on terror, thousands of people have lost their lives. Pakistan's economy suffered a loss of more than USD 123 billion. On top of that, energy crises had struck the economy very badly and Pakistan was desperately looking for investment opportunities, which could help to overcome the economic and social problems. *China-Pakistan Economic Corridor* (CPEC) presented a ray of hope to rebuild the economic and social fabric of the country.

CPEC has the volume and potential to overcome the multidimensional problems of Pakistan. The project is comprehensive and covers the most

important sectors of the economy like infrastructure, energy, education, and agriculture. To the utter surprise of Pakistan and China, global powers and regional players started to criticize CPEC. It was unexpected for Pakistan, being a frontline state in the war against terrorism.

In the region itself, India took the lead to label CPEC as a geostrategic initiative. Although there is nothing related to geostrategy, India started to highlight *Belt and Road Initiative* (BRI) and its marine routes, building possible scenarios of the strategic importance of CPEC. India is criticizing CPEC by bringing in Kashmir.

In reality, the stance of India on Kashmir is nothing more than an effort to divert the attention of the world community from human rights violations in Indian Occupied Kashmir, which is a matter of grave concern for humanity. Recent UN OHCHR's Human Rights Report clearly spells out the atrocities committed by the Indian forces.

Though sane voices in India are proposing their government to be a part of BRI and CPEC, India is not paying heed to them. India should learn from the new Afghanistan Policy and rethink its strategy to avoid exploitation for the benefit of others. It is the first time that the USA tried to create links for trade and the role of India in Afghanistan. The USA explicitly asked India to "do more" if India wants to benefit from trade with the USA.

Globally, the USA along with its myopic allies rallied against CPEC. U.S.' opposition to CPEC and BRI is based on the assumption of China's gradually increasing economic influence. Undoubtedly China is on the way to becoming one of the most influential economies but it does not mean that it will hurt America. The USA is taking the rising economic status of China as a threat to its hegemony. It also understands that it cannot compete with China on the economic front. Thus, the blame game has been chosen to politicize BRI.

The campaign against BRI started with verbal criticism and now it is getting momentum by applying practical steps. America's grand strategy to "contain China" was introduced and alliances are being developed in Asia-Pacific and beyond the region. CPEC became the first victim in the

context of Pakistan. It started with pressurizing Pakistan to back off from CPEC. Initially, Pakistan was given an alternative in the form of Silk Route through Afghanistan but without any investment guarantees. Now Afghan policy, war on terror and financial institutions are being used to twist Pakistan's arm.

A non-political institution, *Financial Action Task Force* (FATF), has been in pursuit of imposing certain sanctions on Pakistan. The USA spearheaded the campaign to put Pakistan on the "grey list" and asserted its pressure to achieve the objective. Placing Pakistan on the grey list would impact FDI, business and financial transactions. It is a deliberate effort to divert expected investments in Pakistan. It is a well-planned and well-timed initiative as Pakistan is expecting to attract investment due to the ongoing success of CPEC. FATF action will discourage and hamper future investments, as no businessman or group wants extra scrutiny.

China has been engaged at fronts like the South China Sea, human rights, and tariffs, etc. With the launch of *Pivot to Asia* policy, the USA is pursuing all major countries in Asia and Pacific regions. It has been envisioned that this policy will eventually culminate in a NATO-like alliance. NATO helped to contain USSR and this alliance will help to contain China. As part of the policy, Southeast Asian countries were encouraged to confront China in the South China Sea and other regional issues. Proxies were used to oppose any initiative in the South China Sea with limited success. Regional countries realized the politics behind the scene and refused to be a part of the design. The Philippines, despite the international court's decision, preferred to adopt the bilateral strategy to solve the South China Sea issue.

Tibet issue was taken as an opportunity to pressurize China. The Dalai Lama was invited and given state protocol just to undermine China's stance. Taiwan is yet another example where the USA challenged China's claim and Mr. Trump even called Taiwan's leadership after his win.

It is unfortunate that an economic and development initiative has been criticized and different instruments are being employed to sabotage it. It is against the ideology of liberal values and economic models. Western countries always champion the idea to use liberal values and trade to solve

economic and welfare issues of the world but in the case of CPEC, they are on the other side of the fence.

The prevailing situation is not in the interest of any country. Continued opposition of BRI, CPEC and trying to engage China and Pakistan in minor issues will lead to a new cold war-like situation. Signs of the cold war are already visible and becoming prominent with each passing day. Realignment has been started and new alliances are emerging. Recently, most significant developments are the creation of Asian Infrastructure Bank, BRI fund and strengthening of the *Shanghai Cooperation Organization* (SCO). The last SCO meeting concluded with a wider agenda for action and proposals for the creation of new institutes like SCO Development Bank and SCO Development Fund.

China is using SCO smartly and trying to create linkages among its allies. The most interesting development on this front is Pakistan's relation with Russia through SCO and China. The elements of enmity between Pakistan and Russia are dissipating and new ways of communication and cooperation are evolving. Pakistan started to import military hardware from Russia including other items. Russia also showed interest to invest in oil and gas and telecom sectors. The USA is now trying to intervene and restrict cooperation between Pakistan and Russia.

It is unfortunate that an economic and development initiative has been criticized and different instruments are being employed to sabotage it. It is against the ideology of liberal values and economic models. Western countries always champion the idea to use liberal values and trade to solve economic and welfare issues of the world but in the case of CPEC, they are on the other side of the fence.

These are a few examples of the escalating situation which are giving rise to tension between countries. It would be wise to control the situation here; otherwise, it will not be possible to avoid negative impacts. Western media is already propagating third world war in one way or another, like in a discussion of the North Korea conflict. In South Asia, Afghan conflict is being used to forward the interest of the USA and its allies. India's role in Afghanistan had been enhanced just to counter and pressurize Pakistan and China. USA is pitching India to counter China in Asia to limit its role by

assuming that this strategy will give space to the USA to concentrate its influence on a global level. Although the strategy is not working well, the USA is investing in it with the hope to be successful in the future.

CPEC is the lynchpin of BRI. It will connect China with many important countries and help Pakistan in overcoming its economic and social problems. A strong and stable Pakistan would be in a better position to secure peace and development in Afghanistan as well as at regional and global level. However, the USA and its allies consider that a strong Pakistan will give space to China and counter India in the region and globally will be a threat to the USA's hegemony.

Hence, they are criticizing and opposing it. Criticism and continued opposition will be of no benefit rather it could give rise to a new cold war and CPEC would be the new turf. There are two ways to avoid the new cold war. First, Pakistan and China need to work together to work out a formula for the smooth implementation of CPEC and BRI, avoiding any conflict. Second, the USA, India and the West need to understand that CPEC and BRI are economic initiatives and should not make it controversial. Lastly, all the players must understand that cooperation is the key to success and win-win outcomes, while non-cooperation is the key to failure.

From: Monthly Hilal Rawalpindi,

<https://hilal.gov.pk/eng-article/cpec:-a-new-turf-for-power-play/MTEzNO==.html>

Digital Silk Route and Pakistan

Pakistan takes pride in being the implementation ground for the flagship project of BRI. For quite some time, we have been in the state of self-admiration of this big intervention with all possible benefits to Pakistan, the region and beyond. However, this state of self-admiration could not aid in moving towards concrete interventions at ground level. We are still struggling to find the right strategies for special economic zones, skill development, sustainable livelihoods, and a sustainable re-distribution system. While we are stuck here, China has taken another giant leap under the umbrella of BRI and has introduced the concept of “*Digital Silk Route*”.

President Xi has been talking about a *Digital Silk Route*, its components, relevance and importance for China and the world for a few months now. *Digital Silk Route (DSR)* encompasses areas of big data, quantum computing, artificial intelligence, nanotechnology, cloud storage, and 5G, etc. The President is convinced that *DSR* is a key to sustainable economic development and leadership in the future. Mr. Chen Zhaoxiong, Vice Minister of Industry and Information Technology are of the view that *DSR* is here to create “a community of common destiny in cyberspace”. It is an identical concept to President Xi’s vision of shared prosperity, thereby making it appear that President Xi and his team is leaving no stone unturned to make it a success.

China has selected Guiyang province for piloting the concept. The province, famous for its defense technician in the era of Chairman Mao, is home to 63 universities and colleges and produces almost 300,000 graduates every year. But the point to be noted here is that most of these

graduates are from the field of science and now the special focus is being given to education-related concepts of *DSR*. It also hosts a software park that employs more than 165,000 people at this point in time with expectations of this number rising to 250,000 in 2021. It is also expected that it will be in a position to earn USD 78 billion in 2021. The Guiyang province is turning into one of the leading hubs for digital entrepreneurs from across the world.

China is also investing in 5G infrastructure which is considered key for the successful implementation of *the Digital Silk Route*. Three leading telecom giants of China namely *China Telecom*, *China Mobile* and *China Unicom* have decided to pool resources around the figure USD 180 billion for investment in 5G related infrastructures in a period of seven years. These telecom companies can afford this huge investment in the backdrop of their annual revenue. It was estimated that during the year 2016 alone total revenue of these companies was USD 9 trillion. China has decided not to lose the battle at the front of the 5G infrastructure, leading the country to make generous investments. China's companies are also investing in developing state-of-the-art servers for better managing their interventions in the field of digital. *Cisco*, *IBM*, and *Ericson* have already been engaged in these negotiations. The sustainable development of the online payment system in China is also vital, which is in line with the strategy of China to enhance its role and position in the financial sector.

Beginning in 2015 with the policy directions given by the state council, the government of China has been following the strategy to expand and enhance its control in cyberspace, internet, and digital space. It was deemed important to enhance China's digital footprint, increase control on financial management and transactions, and the internationalization of its currency. It was also envisioned to build a center of networks in China in the future. Independent experts also believe that it is an effort to overcome the problem of overcapacity in the traditional industrial sector.

Anyways, Chinese companies are now making a strong footprint in this sector. *Alibaba* has emerged as the leading player of the e-commerce industry, with its own data or cloud centers built internationally starting in

2009. Now it is planning to establish new centers in India, Malaysia, and Indonesia.

China is also expanding its presence in the digital sector and is consequently investing heavily along with the Belt and Route countries. It has offered to help many countries in the field of digital space. This is significant given China's position as a leading player in research and development in the digital space, it is now leading research in artificial intelligence and patent race, obvious in the projects undertaken by its leading companies. *Computer Network Information Center* and *China Unicom* have joined hands for the establishment of "5G technology lab". It is a big step forward as this lab also decided to venture into the field of standardization along with other areas. *China Mobile* is busy building an optical network for connecting China with Nepal, Myanmar, and Kyrgyzstan, and is even ready to venture into the Arctic. *Huawei* has won the projects of optical fiber in Pakistan and connecting Kenya and Djibouti. China has also established a center of excellence in Thailand with the name of *Digital Belt and Route International Center of Excellence*. This center has been established to foster research and collaboration among BRI countries to enhance their capacities.

Pakistan is also a beneficiary in the form of optical fiber and related infrastructure. *Huawei* is one example as it has been entrusted to build related infrastructure deemed necessary to enhance the capacity of Pakistan in the digital space. The government of China has agreed to invest around USD 40 million in this project. *Zong* is now a well-established and recognized the brand in the field of telecom. It is a front runner in the field of 4G and Pakistan can expect it will be able to benefit 5G technology due to the presence of *Zong* and *Huawei*. However, to maximize these benefits Pakistan needs to move quickly and find new ways of engagement.

The long-term plan of *CPEC* is not very clear about the inclusion of Pakistan in the *DSR* initiative. It talked about ICT promotion, e-commerce, and ICT human resources building in Pakistan, however, the most important areas of *DSR* like big data, nanotechnology, quantum computing, 5G, and artificial intelligence is missing in the long-term plan. One of the possible reasons for omission can be that the long-term plan

was approved much before the launch of the concept of *Digital Silk Route*. Nevertheless, with it being living document both countries can include it in the long-term plan.

For all of this, the most fundamental question that needs to be asked here remains: Is Pakistan ready to be part of Digital Silk Route? The answer is neither simple nor one-sided but tilted toward “No”. Pakistan’s investment in the digital field is very limited in the context of education and human capital development. The country has not been able to produce high-quality talent in this field apart from a few exceptions. One of the prime reasons for this developmental delay is the lack of encouragement of the sector along with poor infrastructure. Pakistan is dependent upon importing digital technology instead of developing the skills and products domestically. There are even no signs of development of computers and related infrastructure in the foreseeable future, let alone the development of sophisticated technologies or software. We have gifted minds that can steer the process but the opportunities are very limited. Only well-established state institutions can afford the financial burden to take lead but right now they do not seem much interested.

Pakistan too is not benefiting from the Chinese market in this field. Apart from students, there is not much happening on this front. Likely the numbers of students in this field would be limited. In contrast, India is quite ahead of Pakistan in this field. In 2017 *Alibaba* alone invested almost USD 1.2 billion in the Indian market in addition to other investments in digital space. *Huawei*, *Oppo*, and *Xiaomi* have also established manufacturing units in India. Another consortium of Chinese investors invested almost USD 900 million in messaging applications etc. China has also opened its market for Indian firms in the digital sector. Today we can find many more Indians working in China’s digital sector.

Pakistan should learn from Chinese investment in India that only market factors will encourage investment in digital technology in the coming days. There is a need to work on the concept of the development of human capital in this field and devise a set of instruments to promote startups, entrepreneurship, and self-initiatives. Human capital would be the key to determine the future of this industry, as this is hugely dependent on the

quality of human capital. The Industrial Revolution was able to engage mass unskilled labor but digital space will not provide this facility. Pakistan must create new centers of excellence in this field with all the required facilities to produce quality human capital.

The Second required intervention is the provision of required financial resources for startups and entrepreneurial activities. The private sector can play a very prominent role in the shape of investment for human capital development by providing skills. As it has been guaranteed in *the Apprenticeship Act 2017*. The private sector can also be instrumental in the provision of financial resources with an appropriate guarantee from the government.

The government should also establish innovation centers like *incubators* all over the country. A model of profit-sharing should be developed to make these innovation centers more sustainable with fewer interventions from the government in the long run. This matter should be taken up with China by the government. It can be asked to dedicate a certain amount of resources for digital sector development under *CPEC*. The starting point can be excellence centers like the center in Thailand. Pakistan and China can build "*Digital CPEC Center of Excellence*" with sub-offices in provincial headquarters.

It should be facilitated by a gradual transformation in governance and development of the sector in a phase-wise approach. The phase would be the capacity building of government officials for devising the right set of policies and instruments. These instruments will tailor governance structure according to the need of a sector. The second phase would be more critical. China should be asked to invest in capacity building and skill development of the younger lot of Pakistan; in particular people from marginalized areas should be given priority. This trained younger lot should also be allowed to work in different technological and software development parks for further sharpening their skills. The third phase would be a financial partnership for promoting startups in Pakistan. These should also be connected with advanced centers of excellence like Guiyang Province Software Park in China.

Pakistan needs to understand that *CPEC* is the intervention of present with a scope in the future. *Digital Silk Route* is an intervention of the future with benefits in the far future. It is critical for ensuring that Pakistan is moving at the same pace as the rest of the world and creating a future for the next generations. The time is now; Pakistan can either jump on the train or miss it!

From: Monthly Hilal Rawalpindi,
<https://www.hilal.gov.pk/eng-article/digital-silk-route-and-pakistan/MjUwMQ==.html>

BRI or BUILD, Will Pakistan Repeat History?

United States passed “Better Utilization Investments Leading to Development (BUILD)” Act 2018. The Act was designed to achieve three important objectives: a) promote private sector to invest in low developed countries, b) provide an alternative to China’s BRI initiative, c) complement USA’s foreign policy, security and national interests. United States International Development Finance Cooperation (USIDFC) was created to materialize the perceived objectives. It is basically merger of existing institutes, organizations or cooperation. Overseas Private Investment Cooperation (OPIC) will be merged into DFC. It will also borrow some staff from USAID. DFC will also have power to bring different programs under its umbrella.

USA is in process to operationalize USIDFC as soon as possible. The salient features of USIDFC are; it will be joint venture of different government agencies and program. Total worth of the initiative would be US\$ 60 billion. Private investors and business community will be leading actors. It is exclusive in nature and has been designed to exclude certain countries. It will be accountable to public of USA. The accountability mechanisms will be implemented by independent organizations. Independent accountability of government agency is a new concept in USA.

USIDFC under BUILD Act is an effort by USA strengthening its alliances and trying to reinvigorate its investments. The efforts are more specifically targeted to counter the Belt & Route Initiative’s (BRI). From the very concept, the Act has been designed to compete China at global stage.

Therefore, it becomes necessary to compare it with BRI and draw conclusions for Pakistan.

BRI's vision is categorized in four categories, a) Enhancing policy coordination, b) Trade liberalization, c) Financial integration d) Connectivity including people to people connectivity. These are basic ingredients of existing global order. President Xi explained that vision's pillars are essential to maintain global order and achieve sustainable development. Further, program has been propagated by China with two very important objective; a) shared prosperity and b) shared future.

BRI is operational for last six years. China has invested US\$ 90 billion till to date and trillions of dollars are in plan. Investments are being made in transport and energy infrastructure, which will facilitate private investment. Trade is another beneficiary of BRI. It has increased many folds with the BRI countries and total trade worth for last six years is US\$ 6 trillion. It helped to create 244000 jobs among local communities of different partners. China also has created railways linkages with 15 European countries and 50 cities. Further, 126 countries and 29 international organizations have signed agreements under the auspices of BRI.

Good news for Pakistan is that both programs, BRI and USIDFC have been offered to Pakistan. Pakistan had joined BRI and it is one of early members. Pakistan is home to flagship project CPEC. The total committed amount of CPEC is around US\$ 61 billion, which is more than total available sources of USIDFC. CPEC has helped Pakistan to overcome some chronic problems like energy and transport infrastructure. Now CPEC is helping to tackle issues of poverty, education and health along with industrialization of country.

Despite such massive engagement China is not asking Pakistan to not look for new partnerships. China is encouraging Pakistan to engage in new partnerships with diversify partners and countries. Many countries and investors are already showing interest to invest in Pakistan. Saudi Arabia, UAE, Qatar, Oman and many others countries are in negotiations with Pakistan. Companies like Microsoft, Volkswagen, Pepsi Co and Coca-

Coal are showing interest to invest or to further enhance their investment in Pakistan.

Therefore, there is no doubt that Pakistan will also like to accept the investment from USIDFC. Moreover, Pakistan will take it as complementing investments along with CPEC. However, it will depend on how USA offer it or what would be conditions attached to new investments under BUILD. Present situation and trade war between USA and China will make decision difficult for Pakistan. Further USA policy of containment of China will aggravate situation.

However, the current situation also presents an opportunity for Pakistan to play a positive and leading in engaging China and USA like early 1970s. This is a humongous task, it would be really a challenging and ambitious activity. The involvement of two big powers will make it extremely difficult for Pakistan to manage it. But there is no alternative to this, as world is facing numerous challenges. World economic growth is shrinking, and major factor is US-China trade war. In-equality is on rise. Food insecurity started to rise again. Poverty is still here. Demand for energy is increasing. On top of all that Climate Change is threatening the very existence of planet earth. Climate change is not respecting boundaries and no country alone will be able to tackle it.

The only wise strategy would be cooperation among countries and especially between two leading economies of the world. China is already extending hand of friendship and USA also want to cooperate by attaching some strings. That's give hope and world should try to turn it into opportunity. The first and foremost task would be to remove stumbling blocks and divert attention to building blocks. USA, being present big player should take lead to smoothen the way for cooperation. It can take lead from the wise words of George Washington, "avoid entangling in alliances" and "Why forego the advantages of so peculiar a situation. USA should concentrate on the new opportunities emerging from the BRI and CPEC. The world has moved to global village and partnerships and cooperation are only tools to survive with dignity and honor.

The situation urges Pakistan, to take lead for creating synergies between China and USA. It may seem odd to some people but only Pakistan qualify

for this job, as Pakistan has past experience to break a deal between two countries. Therefore, Pakistan should immediately launch backdoor diplomacy. The starting point can be establishment of two working groups. One group should be comprised of investors and business community from China and USA. Group should be tasked to devise a guideline for joint ventures in Pakistan. USA companies should be invited to benefit from the emerging opportunities after the successful implementation of CPEC. The strategy later, can be replicated in other BRI's partner countries.

Second group should be comprised of diplomats and security personals. This group should be tasked to develop a vision for future engagement to avoid any mishap. It should also have mandate to devise a strategy for mutual respect and sustainability of global order. The composition and work of the group should be kept away from limelight. Pakistan should play role of facilitator like 1970s and should avoid to create any hype.

It would be in the interest of Pakistan, region and global community to break a deal between two big power, USA and China. For Pakistan, the cooperation between China and USA will bring an opportunity to solve its bilateral issues and concentrate on its economic affairs. For region it will pave a way for sustainable development and will help to tackle issues of poverty, food insecurity and climate change. For global community it will help to achieve global agenda "No One Left Behind" through implementing SDGs with its true spirit.

Lastly, we have to keep in mind that the instinct to create influence for its objectives is disastrous for everyone, as it is rightly said by Henry Morgenthau, Jr , Economic Aggression can have no other offspring than "WAR". It does not matter who win today, tomorrow's winner would be different.

From: Daily Times Lahore, December 6, 2019

<https://dailytimes.com.pk/514036/514036bri-or-build-will-pakistan-repeat-history/>

Globalization is Here to Stay

COVID-19's is on a rampage since the beginning of the year 2020. Countries are struggling to find a cure or at least some reassurance to calm the people. But despite, the massive campaigns and requests, people are not calming down. They are putting pressure on governments to speed up the processes and provide some plausible answer. However genuine the demand, governments all around are helpless, as no vaccine or cure is available. The problem is only getting bigger by the day. Medical facilities and services are under huge stress and in many countries the COVID-19 has overwhelmed the facilities and services. Countries as big as the United States of America are helpless in the face of the pandemic. The situation urges everyone to cooperate and look for innovative ways to strengthen cooperation.

Unfortunately, the hawks that exist in every system have initiated a new blame game. Trying to use the pandemic to create chaos and achieve their geopolitical objectives. Right wing and conservatives in Western countries, are blaming migrants and refugees and asking their governments to take stricter measures to secure their borders. Globalization has also been blamed for the spread of COVID-19 and nationalists are advocating against the globalization. National interest first slogan is coming back. On the other hand USA is putting all efforts to stigmatize China by COVID-19 as an opening to realize the dream containment of China. It is continuously undermining China; its capabilities and the efforts being put by China to combat COVID-19. President Trump and Foreign Secretary Mr. Pompeo are leading the campaign. China, having successfully eradicated the virus itself is playing its cards smartly. While it has been swift in providing assistance to the countries struggling with the spread it has detached itself

from the policy of self-restraint on the oratorical front and giving USA a “tit-for-tat” response.

These events have generated a new debate, on the future of globalization, its relevance and role of actors in shaping the future. Although the noise to undermine the importance of globalization is very loud but still there are some sane voices, which are advocating the importance of globalization. They are suggesting looking for ways to improve the system not try to dismantle the system. There is no second opinion that liberal global system has some fundamental flaws and it couldn't have come to the front at a worse time. The capitalism driven system is exclusive in many ways and economic interests have surpassed the demands of the wellbeing of humans and the planet. But the system, with all its flaws, is here to stay. This is not merely an assumption; there are concrete evidences in support of the argument.

First, we are living in a world of technology. Technology has changed the traditional meaning of connectivity, engagement and reliance. People are more connected. Social media networks are taking over traditional means of linkages and relationship. Distances are disappearing on social media and new social culture is emerging with distinct characteristics of different civilizations. The mediums of engagement like mobile, WhatsApp, Facebook, Skype, WeChat and other have made it extremely convenient to remain in touch.

It has also reshaped the security domain. Cyber and space security are new broods of security apparatus. The innovation of cyber and space technology has revolutionized espionage. It has also introduced new actors and stakeholders in the security apparatus. Economies are also in adapting and shifting to the latest instruments of technology. Digital economy has become a buzz word for some time. Portals like Alibaba and Amazon are reshaping the concepts of trade and movement of goods and services.

Second, the problems, which emerged during the last few decades are global in nature. Epidemic, environment degradation and climate change are the gigantic problems which the world will have to face more frequently, in the coming years. A Pandemic COVID-19 has already jolted the entire world at present. Human life and economies are at a stake. It has

been estimated that it will cause an accumulative loss of US\$ 20 trillion. Inflation will be on a rise and job losses will further fuel poverty. The World economy bear the impacts for a longer period of time.

Environmental degradation and climate change has also started to play havoc. The problem is becoming more and more serious with every passing day. Environmental degradation is causing huge losses both in term of human life and economy. According to World Health Organization, air pollution kills 7 million people every year. Climatic disasters also have become crueler and more frequent in the recent past. The severity of disasters has become a real challenge for human beings. In the last two decades an abnormal increase in catastrophic natural events has been witnessed. Sea level is rising with an enormous speed. Glaciers are melting. Droughts have become a more frequent occurrence. Climate change related diseases like dengue, are also increasing. During the last two decades Pakistan faced worst droughts (1999-2003) and floods (2010) of its history. The story is no different for other countries

Technological revolution, expanding spheres of artificial intelligence into everyday lives, problems like climate change and epidemics have made the concept of multiple isolated clusters for countries, impossible. Hence, the world has to look for avenues to cooperate and refine the existing system. The starting point would be to look for avenues to cooperate. For that purpose, countries will have to come out of their geographical boundary- mindset. Concepts of greatness and might will need to be discarded. Environment, climate change and epidemic especially require that to go. As lives of people would be at a stake due to lack of cooperation. The world is already facing issues on these fronts in the form of degradation, disasters and spread of epidemics.

Therefore, the first avenue of cooperation will be environmental degradation, climatic disasters and spread of epidemics. The second avenue of cooperation would be joint technology development. The two avenues will help shaping a prosperous future for everyone.

However, achieving prosperity will require some fundamental changes in the global system. First of all, global governance, economic and financial systems are required to be made more inclusive. The power of decision

making should be shifted to scientific evidences rather than consensus of some whose hegemony over the system needs to be reduced. We have already witnessed weak performance or failure of consensus-based system like climate change negotiations, WTO etc. Second, human security shall take the center stage without any discrimination of race, religion, or ethnicity, in the decision making on all international forums. Economic interest should be sub-ordinate to human interest. The current model of economy also required remodeling. It's stark dependency on the private sector and focus on elimination of role of state in business is costing most countries battling the pandemic and other challenges. There is a dire need to make it more balanced, in terms of public private share.

And lastly the world requires a system, which believe in diversity. The race to implement a single system of values and beliefs in governance need to end. It needs to understand the importance of "collective wisdom" and come out of the superiority complex for the recent events has proved the helplessness of the mightiest of the world powers.

From: Daily Times Lahore, March 28, 2020
<https://dailytimes.com.pk/584405/globalization-is-here-to-stay/>

COVID-19-Future of BRI and CPEC?

COVID-19 has put whole world on halt. Fear has grappled everyone and sector economy. Panic is widespread. Stock exchanges across the world are on the course of fall. World is expecting and trying to be ready for a multifaceted impact of COVID-19. National economies and wellbeing of common citizens would be major losers along with health and life of people. Countries are trying to fight on three fronts, 1) allocating resources to strengthen the fight against COVID-19, 2) minimize the impact on common people, 3) designing stimulus packages to revive the economy, once the epidemic is over.

The choices are very difficult, as world economy was already under stress. The projected world growth rate was low, 3.3 percent, which is 0.1 point lower than earlier estimates (IMF, 2020). COVID-19, will further lower the growth. Although the extent is not clear at this point of time, but negative impacts are certain for every country. Conservative estimates suggest that it can bring down growth by 1 percent.

By anticipating the future, countries have started to devise tool to combat the impacts. Emergency allocation of budget has risen many folds during the last few weeks. China has allocated US\$ 16 billion to implement the required instruments to prevent the spread of COVID-19 and fight it. President Trump has signed US\$ 8.3 billion emergency spending bill. Italy has allocated US\$ 5.6 billion. Japan's total allocation is now US\$ 19.6 billions. South Korea has announced the US\$ 9.6 billion for fighting COVID-19. Many other countries are also following the suite. Multilateral institutes are also coming forward to help developing and poor countries. World Bank has announced that it will provide US\$ 12 billion to poor and

less developed countries. International Monetary Fund has established a window of US\$ 50 billions to advance loans to countries. The contribution by IMF and WB will provide cushion to poor and countries in need of urgent cash. Iran already requested for US\$ 5 billion.

The second stage would be allocation of resources for recovering from the impacts of COVID-19. Many industries are already going through crises and projecting huge losses. IATA has projected that total losses to aviation industry would be around US\$ 63-113 billion. Wall Street has already come down along with many other stock markets across the world. Financial sector, especially banks are also feeling pressure. Financial sector investors are looking for safe places to invest, even at the negative interest rate. However, the biggest loser would be common people during and after the COVID-19 crises. As many workers have started to loss job due to lock down of countries. Norwegian Airline already announced to shelf half of its employees on temporary base. The real impact can be calculated after the recovery from COVID-19, most probably after June.

Countries with good financial resources has started to prepare. Many countries have already announced stimulus packages. China has designed a package of US\$ 80 billions worth. Italy has announced it will pump 25 billion Euros (US\$ 28.3 billion) to recover from the impacts. Australia has announced stimulus of US\$ 11.4 billion. President Trump has come up with the idea of deferring tax payments and it is expected that it will add US\$ 200 billion to economy. USA also working on stimulus package so that business can recover and there should be minimum impacts on jobs. UK came up with a figure of 30 billion-pound, which include health, social and economic spending. Moreover, 12 billion-pound will be dedicated to fight COVID-19. Germany has given permission of Kfw to extend support up to 550 billion Euros (US\$613 billion) to business. Switzerland has extended help of US\$ 10.5 billion for business community and society to combat the challenge at hand. European Union has announced US\$ 28.3 will available. Hong Kong has announced a stimulus of US\$ 20 billion. The count is still going on.

The amount of allocation and efficiency of governments show that the task of recovery will gigantic. Further, the required resources will be well

beyond from these allocated resources. Right now, world is worry about the job loss, job creation in future, supply chains and investment. The frequent question is being asked these days, will world have enough financial resources to come out this crisis? The answer is yes but with conditionality of “if world learn to cooperate” and pool resources. The one of the best available opportunity is Belt and Route Initiative (BRI), which is already operational by China. BRI has all the instruments which can provide substantial support to world to recover the economy. The statement can be qualified by the findings of three reports of World Bank. World Bank, 2019 conducted a series of studies including Common Transport Infrastructure, A Quantitative Model and Estimates from the Belt and Road Initiative, The Belt and Road Initiative Economic, Poverty and Environmental Impacts, The Belt and Road Initiative Economic, Opportunities and Risks of Transport Corridors, which clearly put forward that BRI will give boost to GDP, Economy and wellbeing of people.

Reports highlights that world GDP will get substantial boost. It will benefit without discrimination, either they are members or not, to BRI. The increase in GDP will be 3.4 percent for BRI countries and 2.6 percent for non-BRI countries. It will also help to create jobs at mass scale, if investments are being supported by good reforms. This is also true for Pakistan, rather, Pakistan will be one of the major beneficiaries of BRI. As we know Pakistan is home to CPEC, therefore, the country would be major beneficiary. It was predicted that the GDP increase for Pakistan would be 6.43 percent. Reforms, to improve business environment and governance can increase GDP up to 14.03 percent. It will also help Pakistan to create 4 million jobs. These calculations were made before the outbreak of COVID-19 and at a time when USA with help of its allies was running an all-out campaign against BRI and CPEC.

Now the world is facing a major epidemic and going through serious economic pressure. The relevance of BRI and CPEC has enhanced. However, the pre-requisite to accrue benefit is cooperation, which is lacking at the moment, rather rivalries are on gong among many countries. Now the question is, “will world leaders learn to cooperate, or will they continue to fight”? The benefits of cooperation would be enormous. It will

help to generate require financial resources. As China has already committed US\$ 1 trillion for investment across the world. It is also being mentioned time and again by many experts and also Chinese official, the total spending through BRI US\$ 8-9 trillion till 2030. These resources will help world to recover soon from the impacts. The good news is that China is already to build cooperation and looking forward for everyone. It has reiterated its desire for cooperation time and again.

If world chose “not to cooperate” the cost will also be huge and may be beyond the capacity of world to face. Joblessness will increase which would have severe implications on livelihoods and well-being of common citizens. It would be really a huge task for financial sector to recover, soon. Economic recession will start to emerge, which has been predicted by many experts. Some experts believe that if the epidemic continue till June then it will be accompanied by economic recession. This time, the impact would be very severe may be more than 1930’s economic recession. The worst impact of this recession would on poor citizens and poor countries.

Therefore, the best option for world is to start cooperating and combat the challenge. BRI and CPEC provide us an excellent opportunity and world should benefit from it. USA should reactivate its instruments of cooperation like Trans-Atlantic Trade and Investment Partnership (TTIP) and Trans-Pacific Partnership (TPP) by refining and making these more inclusive. We need to be very clear that “cooperation” is only wayout and instrument to combat the challenges.

From: Daily Times Lahore, March 18, 2020

<https://dailymirror.com.pk/578718/covid-19-future-of-bri-and-cpec-daily-times/>

Coronavirus: institutional advantage of China

The last three months have been very stressful for China and put it through an enormous amount of pressure. Coronavirus has impacted all spheres of life, including the economy. The first two months were more worrisome due to the rising number of affected people. China was struggling to combat the coronavirus and it needed moral and technical support. Unfortunately, many countries, including leading Western countries preferred spreading malignant propaganda. USA looked at this as an opportunity to yield economic benefits. USA administration did not miss any occasion to criticize China on one or other account.

China did not pay heed to the noise and kept its focus on its fight against coronavirus. Their efforts started to pay off, the number of new cases has dropped to 18+. The drop is marvelous, as the count for new cases was in thousands only few days ago. This is happening at a time when the coronavirus is spreading across the world. The total number of cases on 13th March was 134,918. The reported deaths were 4,949 but the recoveries surpassed the death toll. It was 70,395 on 13th March. The spread is now more concentrated in European countries and Iran. Italy is the new epicenter of the Corona outbreak. It is spreading at an alarming pace in Europe and has shaken entire Europe. USA is also witnessing a rise in the number of effected people.

The testimony of Mr. Robert Redfield from US Center for Disease Control and Prevention to congress opened a new debate. He highlighted that few deaths, which were early considered due to influenza, later on proved to be due to COVID-19. It is very alarming because it shows that USA was either unaware or intentionally contained the information. Both situations are very dangerous, if USA was unaware, it put question mark on the

ability of USA's medical system. The other possibility is even more dangerous, if US intentionally kept the information, and let it spread through it has put millions of people at stake. China is now openly criticizing USA and showing concerns. China also pointed fingers toward the US army and suspected its role in spread of COVID-19 in China. It is asking for a clarification from USA.

Despite, the fact China that faced harsh treatment from USA and the West, it is still ready to help the world in the fight against COVID-19. China is aware that the world is looking toward sit to help them, especially to the strategy which China applied to counter the virus. China has already started responding to the world positively and it has started assisting the world. It has dispatched medical kits, medicines and experts to different countries. It is distributing masks and sharing its experience. On 12th March it sent a team of experts to Italy to assist the national teams. Although China is generous in sharing its experience and providing medical supplies, the effectiveness of the measures would depend on local systems of governance and institutions.

The world needs to understand and realize that one of the major factors of success was its institutional arrangements and governance system. China has a unique system and it has an institutional advantage in combating crises and uncertain events. The chain of command is very clear, effective and every institution and person fall inline quickly to perform their duty. It does not require so many approvals or procedures to start working. President Xi Jinping ordered to work and the entire system took over the job in a mechanical manner. There were no hurdles, like coordination among provinces or institutions.

The finest example of this can be seen in the building of a new hospital in 10 days. Everything was available on time and there were no loopholes in coordination or execution. Second best available example is the execution of orders to control the movement of people. It was implemented in letter and spirit. The entire country observed the orders. Although US and other countries were criticizing the measures China implemented it. It helped China in controlling the spread of the virus. However, the government made sure that there should be no disruption in the supply chain which was gigantic task, keeping in mind the population size but China accomplished it. It is again a good example of institutional advantage.

Another major factor was that government of China had financial resources and it did not have to wait for help. Moreover, resources were owned by State not by private individuals. Therefore, state had the control to decide on spending. China did not lay off staff or create any uncertainty in the job market. All institutions performed their jobs and made sure that financial resources are as and when required.

Fear is grappling the countries. Fear factor is evident among all sections of societies. Private sector is pulling back money. Wall Street is in a free fall and federal government allocated US\$ 1.5 trillion to sustain the market. Wall Street will have negative implications across the world. Iran is desperately looking for help. It has requested IMF for US\$ 5 billion to face the challenge of COVID-19. Owing to sanctions, the situation is more complicated than elsewhere. Airlines across the world are halting its operation for weeks. It is leading towards laying off the staff.

Another question after the lock down is, will countries be able to keep their supply chains un-interrupted? It seems difficult, as major supply chains are dependent on private sector. Private sector is already laying off staff. The equation will become more complicated with time. It is expected that there would be major disruptions in supply chains which will aggravate the situation. This is high time to learn from China, on how China maintained its supply chain. What role institutions and governance played? Lastly, there is one lesson for the world specifically US and the West, they need to come out of the China fear and shall learn to cooperate. They should also learn from the role Chinese institutions played in combating the epidemic. The COVID-19 provided an opportunity for cooperation. If countries refuse to cooperate, the world need to be ready for another economic recession. This recession would be more complicated and graver, may be more than 1930's recession, which will be beyond capacity of world to face. The theory of "Systematic Rivals" needs to divorced and look for strengths from China Model, which can be easily emulated to combat COVID-19.

From: Daily Times Lahore, March 14, 2020
<https://dailymirror.com.pk/575906/coronavirus-institutional-advantage-of-china/>

Belt and Route Initiative: How It Can Help in Post COVID-19 World?

Background

The world is facing numerous and multifaceted problems. 600 million people are below the extreme poverty line (WB, 2018). Food insecurity has started again to haunt the world, after a brief period of decrease. It has started to increase from 2018. Food and Agriculture Organization, 2018, concluded that 820 million people fall in the group of food insecurity, which is a few million more than the previous year. Health and safe drinking water are other areas of concern for decades. Despite a massive campaign, the problem is still here. World Health Organization in 2018 asked the world leaders to care for 2 billion people who need safe drinking water. WHO also predicted that climate change will play havoc with the lives of people and it may add 250000 deaths every year from 2030. Environmental complications e.g. air pollution kills 7 million people every year. The world is also struggling to find a way to take care of 263 million kids, who are out of school.

Increasing population is an alarming threat to the globe, especially in third world countries. It is putting pressure on the scarce resources of these countries. Livelihood opportunities are shrinking in less developed countries and rural areas are more vulnerable. It is triggering an unplanned migration from rural areas to cities. It is also leading to unplanned expansion of cities. Lack of planning and planned migration speed up the process of slums creation. UN pointed out that 23.5 percent urban population lives in informal settlements. The proportion is even bigger in

developing countries. As in some countries it reaches 78 percent³. It is contributing to urban poverty. The extent of urban poverty has reached 24 percent⁴.

Despite having all the disastrous issues migration is on its peak. UN has estimated that 55 percent population is in cities around the world. It will further increase in the coming years. The chief reason for migration is that cities have been declared the center of growth and prosperity, which is accelerating migration. which is a wrong strategy. It is also putting pressure on existing infrastructure and demand for infrastructure is increasing with every passing day.

In the context of Asia, the picture becomes more complicated. It is home to 4.61 billion population which constitutes 59.76 percent of the total population. It is one of the most densely populated regions of the world. It has been projected that it will touch a magic figure of 5 billion before 2035. It is also said that by 2030 the total population of Asia would be 4.91 billion. Urbanization is happening at greater speed. China and India will lead to urbanization in the coming years. Moreover, the median age is 30.4, which indicates that the majority of youth resides in Asia. According to the UN, 60 percent youth resides in Asia. Youth constitute 19 percent (15-24 years) of the total population of Asia, which is equal to 876 million. Presently about 50.3 percent of the population lives in urban cities⁵.

Although this huge population is a blessing, especially in the context of youth, but the world is unable to exploit the full potential. Many reasons can be identified for disconcerting performance but the most prominent one is, lack of adequate infrastructure, both hard and soft and vulnerability to face climate change.

³ <https://unstats.un.org/sdgs/report/2019/goal-11/>

⁴

<https://www.worldbank.org/en/news/feature/2013/04/16/urbanization-is-helping-power-people-out-of-extreme-poverty-and-assist-delivering-on-the-MDGs-says-report>

⁵ <https://www.worldometers.info/world-population/asia-population/>

Infrastructure is an area of worry for the world for many years. It is deteriorating with alarming speed and it requires trillions of dollars for its sustainability. McKinsey in 2015 calculated that world invested US\$ 9.5 trillion in infrastructure, which is equivalent to 14 percent of world GDP⁶. However, it is not according to need. According to the study, there would be a gap of US\$ 5.5 trillion on yearly basis till 2035. The need for economy related infrastructure investment would be US\$ 3.7 trillion⁷.

The picture of Asia is also depressing. Asian Development Bank (ADB) 2017 came up with Asia specific estimates for infrastructure investment. It is calculated that US\$ 22.6 trillion are required till 2030. The results can be more severe, as Asian countries would not have the required resources to invest. Presently, there is a gap of almost US\$ 800 billion on an annual basis. The study further highlighted that governments can only contribute 40 percent and the rest of the gap should be bridged by the private sector. It means that private sector had to increase its investments from US\$ 63 billion in 2017 to US\$250 billion in 2020⁸.

The World was struggling to find some viable solutions for existing problems and now COVID-19 is added in the list. COVID-19 has shaken the whole world. The economies are dipping. The global growth rate can fall into the worse condition. It has also been predicted that global FDI can fall between 5% to 15 %. The social fabric is at the verge of disruption. Food supplies are under perilous pressure.

The growing rate of unemployment in the USA, 281000 people filed a jobless claim with insurance companies. It is expected that the number can reach three million in the coming days. According to an International

⁶ <https://www.mckinsey.com/industries/capital-projects-and-infrastructure/our-insights/bridging-infrastructure-gaps-has-the-world-made-progress>

⁷ <https://www.weforum.org/agenda/2019/04/infrastructure-gap-heres-how-to-solve-it/>

⁸ <https://www.adb.org/publications/asia-infrastructure-needs>

Labor Organization, 25 million people can lose the job at a global level⁹. The aviation industry has gone into nose-dive which will induce US\$ 2.7 trillion loss to the global economy¹⁰. The tourism industry is also countering the biggest loss. The health systems of countries have been overwhelmed. The death rate is increasing with every passing day. The human loss due to another disease during the period further complicates the picture. It is forecasted that hospitals will be unable to attend chronic diabetic and cardiac patients etc.

The gravity of problem has compelled countries to come up with different packages to sustain the economies and keep the impact at the lowest level on common citizens. The governments have started to announce different stimulus packages, according to economic experts, USA has unveiled its plans of US\$ 6 trillion to fight the situation, it also includes US\$ 2 trillion for fiscal spending.

Germany has announced that Kfw can extend support up to US\$ 613 billion. Spain has announced a package of US\$ 220 billion. Italy has already offered a package of US\$ 28 billion. China is in the process to finalize its stimulus package, though it has started different programs to help people. It has offered US\$ 1200 to each permanent resident of Hong Kong. she asked People's Bank of China to extend reserve repo to US\$ 174 billion. China has also instructed the landlords of commercial places to reduce rents¹¹.

Japan's total allocation is now US\$ 19.6 billions. South Korea has announced US\$ 9.6 billion. Many other countries are also following the suit. Multilateral institutes are also coming forward to help the developing and poor countries. World Bank has announced that it will provide US\$

⁹ https://www.ilo.org/global/about-the-ilo/newsroom/news/WCMS_738742/lang--en/index.htm

¹⁰ <https://www.icao.int/sustainability/Pages/Economic-Impacts-of-COVID-19.aspx>

¹¹ <https://www.investopedia.com/government-stimulus-efforts-to-fight-the-covid-19-crisis-4799723>

14 billion. WB will disburse US\$ 6 billion from US\$ 14, as a grant. IMF has established a window of US\$ 50 billion to advance loans. The contribution by IMF (US\$ 10 billion as interest free loans) and WB will provide cushion to poor countries in need of urgent cash. Iran has already requested for US\$ 5 billion.

However, the problem is bigger than these packages. It urges the world to look for more ways to combat. The G-20 meeting on 26 March 2020 also urged the same. All leaders asked for a more collaborated effort to tackle the problems. It was pledged that US\$ 5 trillion should induced in global system for expanding fiscal spending.

However, these packages or estimates did not include the potential impacts of climate change. The situation becomes scarier by the inclusion of climate change, which is putting an additional burden on countries. Climate change will cost US\$ 7.9 trillion till 2050 (EIU). It will also impact the GDP growth rate in all regions of the world (Fig-1)¹². World Bank predicted that US\$ 90 trillion is needed till 2030, for developing climate resilient infrastructure and economies¹³. Moreover, the World Bank suggested that climate change will push 100 million people into poverty by 2050. Climate change will also add 143 million in migrant or refugee's list¹⁴.

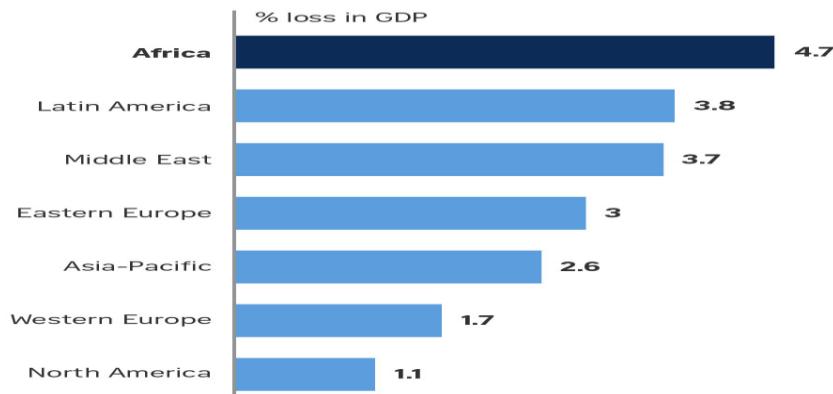
¹² <https://www.straitstimes.com/world/europe/climate-impacts-to-cost-world-us79-trillion-by-2050>

¹³ <https://www.worldbank.org/en/topic/climatefinance>

¹⁴ <https://www.worldbank.org/en/topic/climatechange/overview>

Economic impacts of climate change

Average real GDP loss by 2050.



Source: AGENCE FRANCE-PRESSE
STRAITS TIMES GRAPHICS

The gravity of problems indicates that no single country or stakeholder can address all these issues. The world has to look for innovative ways and technologies, cooperative methods and inclusion of all groups to lead the fight against existing problems, COVID-19 and future challenges of climate change etc. In this context Belt and Route Initiative (BRI) presents an excellent opportunity to assist the world in combating these challenges. Before delving into the future course of actions, it is necessary to have a bird's eye view of BRI, to understand its relevance for the world.

Belt and Route Initiative

The Belt and Route Initiative was launched in 2013, to address the concurrent and future issues and challenges. The specific objectives of the BRI are;

- Enhancing policy coordination
- Trade liberalization
- Financial integration
- Connectivity including people to people contact

Since, 2014, China has issued several white papers (Box-1).

- Vision and Actions on Jointly Building Silk Road Economic Belt and 21st-Century Maritime Silk Road, March 2015
- Action Plan on Belt and Road Standard Connectivity (2015–17), October 2015
- Education Action Plan for the Belt and Road Initiative, July 2016
- Action Plan on the Belt and Road Cultural Development (2016–20), December 2016
- Vision and Action on Jointly Promoting Agricultural Cooperation on the Belt and Road, May 2017
- Vision and Actions on Energy Cooperation in Jointly Building Silk Road Economic Belt and 21st-Century Maritime Silk Road, May 2017
- The Belt and Road Ecological and Environmental Cooperation Plan, May 2017
- Vision for Maritime Cooperation under the Belt and Road Initiative, June 2017
- Belt and Road Sports Tourism Development Action Plan, July 2017
- Special Plan on Advancing Cooperation of Science and Technology Innovation in the Belt and Road Construction, November 2017
- Action Plan on Belt and Road Standard Connectivity (2018–20), January 2018

Although the BRI is facing furious opposition from many countries, it is evolving into a successful venture. According to China's official sources, 126 countries are now signatory to BRI. It covers 61 percent of the world population (4.6 billion). The accumulative GDP of these countries is around US\$ 29 trillion. During the last 6 years, the total trade along the BRI route is recorded at 6US\$ 6 trillion¹⁵. It has also created 300000 jobs in BRI countries. Many international agencies like the UN, UNDP, World Bank and are also working with BRI.

The prospects are also very encouraging. World Bank, 2019 conducted a series of studies including Common Transport Infrastructure, A Quantitative Model and Estimates from the Belt and Road Initiative¹⁶, The Belt and Road Initiative Economic, Poverty and Environmental Impacts¹⁷,

¹⁵ <https://chinapower.csis.org/china-belt-and-road-initiative/>

¹⁶

<http://documents.worldbank.org/curated/en/879031554144957551/Ccommon-Transport-Infrastructure-A-Quantitative-Model-and-Estimates-from-the-Belt-and-Road-Initiative>

¹⁷ <https://openknowledge.worldbank.org/handle/10986/31543>

The Belt and Road Initiative Economic, Opportunities and Risks of Transport Corridors¹⁸, to decode the potential benefits of BRI and CPEC.

According to reports, on the completion of the BRI world will enjoy a substantial decrease in travelling time (12% BRI and 3 % Non-BRI countries). For example, Khalid, *et al.* 2019 calculated that CPEC route, one of the six corridors, will help to shorten route between China and selected countries (Fig-1&2). CPEC is also flagship projects which is being implemented in Pakistan (Box-2).

Pakistan would be major beneficiary of BRI through the CPEC. It has been calculated that only infrastructure related investments will increase GDP by 6.43%. If government of Pakistan, support these investments by reforming the business environment and trade facilitation the increase in GDP can be 14.03 percent. Reforms will also help to increase trade (9.8 %), which is badly needed.

Besides, BRI and CPEC would be really helpful for world and Pakistan, as it will be a source of job creation, which is direly needed due to youth bulge. It has also been highlighted by reports that 4 million jobs will be created only in Pakistan, leave alone the other countries. The best available opportunity would be shifting of labor-intensive industry from China. It has been predicted that millions of jobs would be available due to the shift, by better planning countries can grab good share. Industrial cooperation under CPEC will bring a good opportunity for Pakistan to grab the maximum number of jobs.

Poverty would be another area, where CPEC is and will help Pakistan. It was predicted that 1.1 million people will come out of extreme poverty trap. The major impact would be through welfare gains (5.18% at lower and 10.51% at higher bound). The other contribution will come from factor return on labour (15.44% overall labor and 27.89% un-skilled labor).

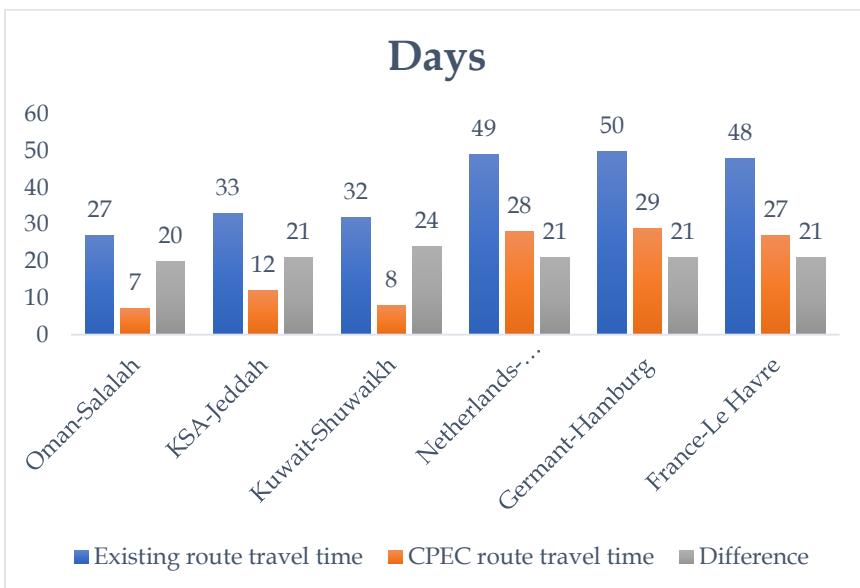
China already had extended support to Pakistan for social development and combat poverty. China has committed more than US\$ 1 billion for multiple sectors under the realm of social development. The allocated money will be used to develop and refine skills, improve agriculture, education, health and enhance the trade, especially of food products.

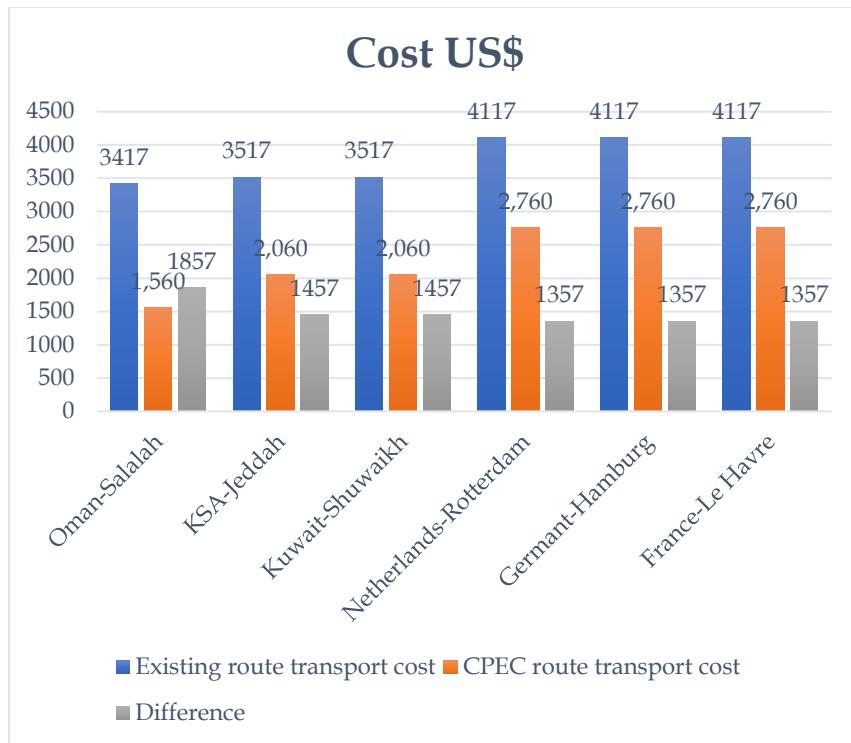
18

<http://documents.worldbank.org/curated/en/715511560787699851/Main-Report>

Reports also pointed that better infrastructure will give a boost to multiple sectors including trade (2.7-9.7%, BRI and 1.7-6.2%, non-BRI countries), real income (1.2-3.4% and 0.7-2.9%, respectively for BRI and Non-BRI economies). Further, a 1 percent increase would be equal to US\$ 930 billion in the base year of 2014. GDP, which is a major concern worldwide, as IMF and international institutions are showing serious concern, will be increased by the factor of 3.4% and 2.6% in BRI and non-BRI economies, respectively.

It is also predicted that BRI will help to combat the menace of poverty. It has been estimated that 7.6 million extreme poor (US\$1.90 per day) and 32 million moderately poor (US\$3.20 per day) will break the poverty trap. The best part of these estimates is that developing countries would be major beneficiaries. The basic factor behind this projection is that labour's rate of return would be highest (1.37%) among all factors of production.





Moreover, OCED recent estimates also show that China's economy will recover soon, and it will get a growth rate of 6.4 percent in 2021¹⁹. China also has announced that it will continue to open its economy. It will also work to increase import, which in turn give impetus to the economy of other countries. These are good signs for China and the world.

Despite massive benefits, China and BRI are facing challenges. The biggest challenge is the smearing campaign and lack of cooperation from the USA and some allies. However, current situation e.g. COVID-19 and future challenges of climate change are compelling to leave the past practices of rivalries. The countries should stop targeting China and BRI and begin to cooperate.

¹⁹ <https://www.oecd.org/economic-outlook/>

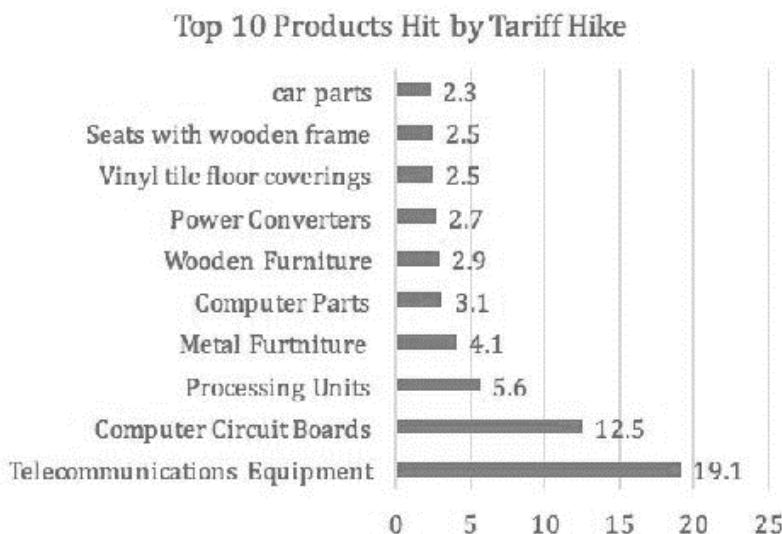
U.S.-China: Trade War to Power Struggle

The U.S. announced a fresh round of tariffs on May 10, 2019, targeting imports from China. After consultation with his team, President Trump announced his decision to hike the tariffs to 25 percent from the previous 10 percent; these new tariffs will have implications for USD 200 billion volume of trade. It sent shockwaves across the world and among the business community that was expecting some breakthrough from U.S.-China trade negotiations. U.S. has also threatened to increase tariffs on an additional USD 325 billion Chinese import. China responded to the announcement by warning of retaliation. On May 14, China retaliated, announcing that it will raise tariffs on the import of USD 60 billion of U.S. products from June 1, 2019. The total volume of trade – which has become a victim of a trade war – is USD 250 billion and USD 110 billion by U.S. and China respectively, with different slabs.

The trade war between the U.S. and China has multiple and multidimensional implications. Although this trade dispute is only taking place between the U.S. and China it is indirectly impacting everyone around the world. Global institutions like the *World Trade Organization* (WTO) are warning of negative impacts on global trade and development. In 2018, the *International Monetary Fund* (IMF) predicted that due to the trade dispute there is a possibility that there would be a decrease of 0.5 percent in global growth by 2020. In the same year *Morgan Stanley*, an American multinational investment bank and financial services firm, predicted a decrease of 0.81 percent of global GDP if the U.S. went for a full-scale trade war with China and other countries. The impact of these trade dispute scenarios was expected to emerge in 2019.

WTO has also warned that there would be a major disruption in global supply which will also impact the consumers. Further, the inclusion of the auto sector is aggravating the situation. With U.S.'s plans to impose tariffs on the auto industry for allies like Japan, South Korea, Mexico, etc., WTO is of the view that the auto sector will have more implications for the global economy as it comprises 8 percent of global trade.

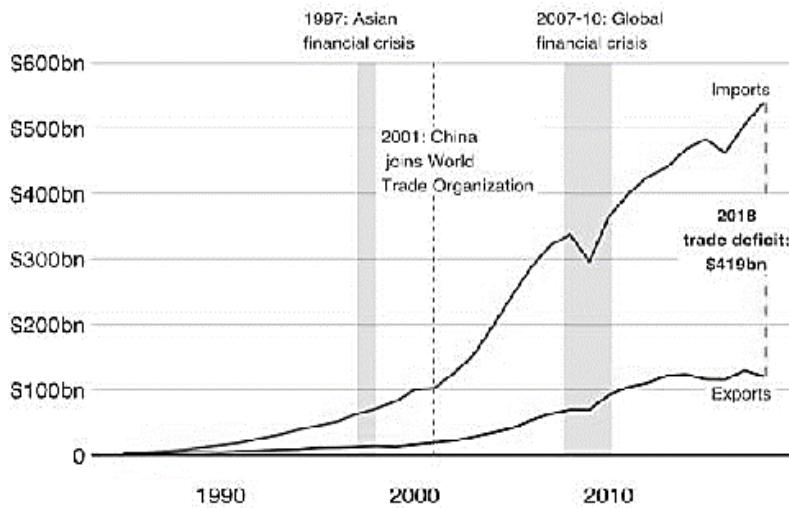
Consumers have already started to face the brunt of tariff hike in China and U.S. American consumers have already started to feel the pressure in buying many domestic use products. The prices of cots, kids' bicycles, food and beverages, auto industry, veterinary drugs, beef, lamb and pork products, as well as various varieties of vegetables, fruit juice, cooking oil, tea and coffee are the few on the front. The biggest losers in this war are the American farmers who are also the Republicans' base along with the Rust Belt states of U.S. The new tariffs will introduce new impacts on numerous American companies and consumer products in the U.S. (Figure 1).



*Source: U.S. International Trade Commission, cited on BBC website.
(Figure 1)*

Trade war started with the U.S claim that China is not working to improve the conditions for trade, especially the progress on intellectual property rights being unsatisfactory. China denied this and asked for meaningful talks to solve the issues. A new wave of tensions arose again with the accusation by the U.S. that China is not fulfilling commitments made during the negotiations.

President Trump also used the term ‘unfair benefits’ for China from the existing arrangements between China and the U.S. (Figure 2). There is no doubt that Chinese exports are huge in comparison to U.S. imports but it also involves the export of many U.S. companies based in China. China has also highlighted that the U.S. and its companies equally benefited from China. For example, *Boeing* is selling the largest number of planes in China, more than anywhere else in the world. Many American companies like *Apple*, etc. established their units in China to benefit from China’s market size. All these companies provided affordable commodities to American consumers and took substantial profit back to the U.S. So it is not a one-sided affair rather both countries benefited and are benefiting from their trade arrangement.



Source: U.S. Census, cited on the BBC website (Figure 2)

It has also been observed by many experts that the trade war will continue for a long time. James Sullivan, head of Asia ex-Japan equity research

at *J.P. Morgan*, stated that it will continue for 10-20 years as the economic order will be reordered according to the new normal of the global stage. He argued that the world is moving towards a multi-polar world order where repositioning of countries will happen. Global players will try to grab a major chunk and do what is necessary to achieve that. Therefore, countries will need to prepare themselves for a longer period of time.

The process of reordering or realigning has already been started. The launch of China's *Belt and Road Initiative* (BRI) gave a strong impetus to the process of reordering and realigning. U.S. has made its dislike for BRI clear and tried to influence countries to stop them from joining the initiative. BRI has been subject to criticism and negative propaganda since the beginning. The U.S. and the West are trying to coin different terminologies to malign BRI and build a negative image. The favorite areas of propaganda campaigns are the environment, debt trap, equity and sometimes sovereignty. However, the campaign could not get the desired success as the number of participating countries is increasing. The recent BRI summit serves as proof as it was attended by 37 heads of states and companies, representatives from 150 countries and international organizations like the IMF and United Nations, etc.

BRI has also been portrayed by the U.S. and the West as a strategic intervention as opposed to an economic initiative. Last year, U.S. Vice President Mike Pence classified China's economic initiatives as "economic aggression" and tried to undermine it. Moreover, it is being seen as an opposition to the U.S. and its global influence. However, China denies such classifications and has emphasized on the economic side of BRI. President Xi Jinping termed it as an initiative of "shared prosperity" for the future generations.

Although the recent spat on tariffs has been put forward as trade war, many believe it goes beyond trade. It is being termed by many analysts as the U.S struggle for power and dominance at the global stage. The argument can be substantiated by other actions of the U.S. and its allies. Last year, The *Washington Post* quoted intelligence sources that tried to link trade with "American interests and power". Intelligence agencies are looking at

the issues of the South China Sea, artificial intelligence (AI) and cyber war together with trade.

The U.S. has also started to target tech companies from China on the assumption of security threats. *Huawei* is at the top of its priority list to malign, with barriers to its growth and investment put up. The U.S. is banning it from venturing into 5G infrastructure in the country. It has also pushed its allies to bar it from building next-generation mobile networks (5G) and shun equipment made by it. Many countries responded to the call and imposed some barriers. Australia, New Zealand, the UK, and others also tried to introduce some barriers. Although countries have now started to rethink and revise their policies, the campaign is still ongoing. *Huawei*'s Chief Financial Officer (CFO) has been detained in Canada while the U.S. is pushing Canada to extradite her to the U.S.

The campaign was started on the suspicion that *Huawei* was spying on behalf of China. *Huawei* declined the accusations at many levels but the U.S. is still insisting on it. However, they have not been completely successful in keeping *Huawei* out of the markets because it is way ahead in technology than its competitors. Therefore, the U.S. is trying to use other means to undermine *Huawei*.

AI is another area where the U.S. and China are in competition. In recent years, China has emerged as one of the biggest investors in the sector. It has started to lead the sector – an irritant for the West and U.S. – and it is also making leaps and bounds in space programs and enhancing its capabilities, programs to which the U.S. and the West have objections. Everyone knows that technology is the future and any country with an advantage in technology will have a prominent place in the international arena, that is, the area where the future of superpowers will be decided. The U.S. and Europe have already started to refine their strategies to compete in this arena.

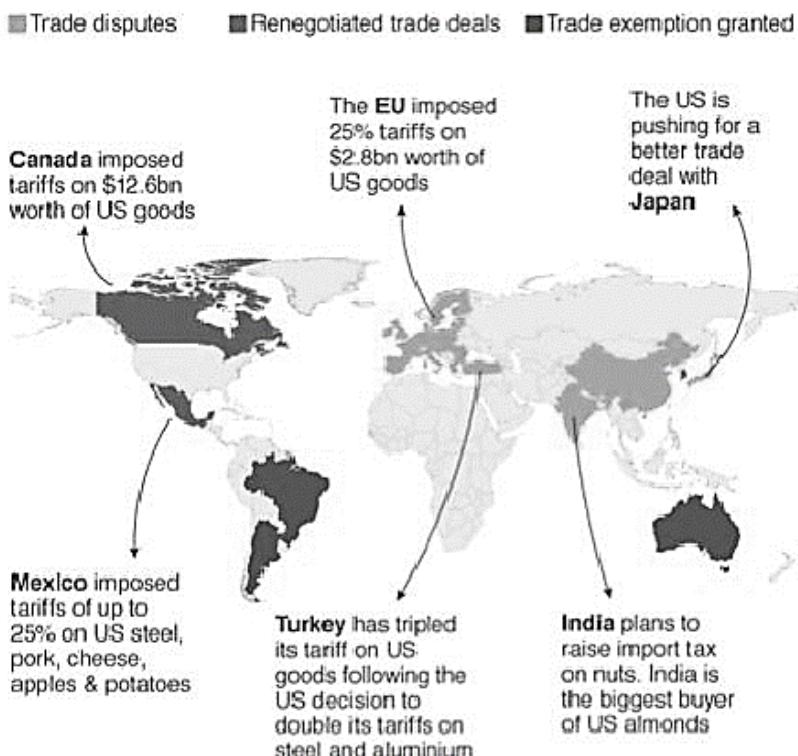
Therefore, many analysts and experts believe that the trade war is just the beginning of a comprehensive cold war on multiple fronts. It has also been observed that economic and technological fields have become a neutral ground for the undeclared new cold war. U.S. is trying to sustain the global order, which is beneficial for the U.S. and its allies in all dimensions.

Economy and technology are the biggest and most important chapters of the existing global order. The U.S. is aware of the fact that losing the economic and technological edge will lead it to lose control at the global level. Economic might and technology is the key to project its strength. These two areas helped the U.S. to maintain its status as a global leader and superpower. Therefore, it is trying to weaken China's economic and technological capacity by using different tactics, and a trade war are one of them.

However, the U.S. is forgetting one important lesson from history, that is, empires can only be sustained by offering partnerships, not division. The U.S. itself has experienced this in the past. During and after World War II, the U.S. built the new global order by offering partnerships for development like the Marshall Plan. Unfortunately, now the U.S. is trying to take the other route and creating division rather than joining hands for a peaceful rebalancing of global order. It is important to note here that China is not dreaming to become a superpower rather it is focusing on building a more balanced global order without hegemonies.

America's trade war is not only confined to China (Figure 3).

President Trump is also talking to renegotiate U.S.' other trade agreements as well. It has already left the Transatlantic Trade and Investment Partnership.



Source: BBC website. (Figure 3)

Confrontation will not help anyone; it will only raise new challenges for the U.S. and the rest of the world. In such disputes, poor countries and people will be at a disadvantage and the hopes for a prosperous global economy will remain but a distant dream.

From: Monthly Hilal Rawalpindi,
<https://www.hilal.gov.pk/eng-article/u.s.-china:-trade-war-to-power-struggle/MzQwOQ==.html>

The contour of new world order: Where Pakistan stands?

There must be a cure, not just a therapy, President Xi Jinping at UN 75. The statement depicts the understanding of global affairs by China. President Xi also unambiguously declared UN as central point for multilateralism without any discrimination on the basis of economic status or religion or ethnicity. He also stressed on the importance of equality and denounced the bossy behavior by any country. It is widely debated by experts that President Xi's speech is blueprint of China's vision of global order. Thus, it is considered as the contour setting speech. The speech is also considered a departure from the past and China is looking into new means of active engagement and presents itself as reliable country at global level. Besides, China will not take bullying anymore, as it is clear from the statement of Chinese permanent representative to UN, he said to USA, enough is enough.

However, China, wants a global order, which is based on the principle of equality, cooperation not bullying or one country or group of countries centric. For that purpose, China is asking for the changes, for a long time within UN and global system. China is staunch supporter of reforms and keeping the UN and Global system intact. President Xi Jinping echoed the same sentiments at UN 75. President Xi's emphasize on the centrality of UN and sustaining of global system is based on the hard facts and figures. For example, World Bank produced a report which highlight the growth of economic linkages and development. According to report the world GDP increased from US\$ 1.37 trillion in 1960 to US\$ 87.7 trillion in 2019. The share of global trade to GDP increased from 25.72 percent in 1960 to

60.4 percent in 2019. Per capita income also observed a substantial increase it reached at US\$ 11428 in 2019 from US\$ 452 in 1960s. The per capita income increased despite the rapid growth of population.

Despite all these indicators, world is still facing humongous problems like food security, poverty, conflicts and in-equality. World is also facing existential threat from environmental degradation and climate change, which is result of blind following of capitalism-based development model. President Xi identified that the reasons of problems are in-equality, losing appetite for cooperation and country specific and centric approach. The approach is dangerous for the future of global order and UN system and planet earth. Hence, the world needs to move forward and look for better options of development and prosperity.

President Xi suggested four major interventions for the UN. First, UN must stand firm on justice. No one should be allowed to exploit the system in its favor. Everyone should be treated equally and given the equal respect, irrespective of their development status. Second, UN must uphold rule of law. No one should act as bullying others and institutions must be prime in decision making and implementation. Third, cooperation must be promoted by UN and UN should play a leading role. It is key to sustain the global order and fight the major problems of world. However, the cooperation must be based on equality and no one should be preferred over other. Fourth, UN must promote real actions and come out of mode of talks only. It should also speed up work and take real actions to combat the non-traditional problems like climate change, pandemics poverty, food insecurity and environmental degradation etc.

China is not only talking; China is leading by example; it is taking real actions. Domestically, it has adopted the concepts of shared prosperity, eco-civilization to tackle issues of environmental degradation and climate change and is promoting prosperity. Although, China is working on environment and climate change for a long time but now it is working to transform economy and social life on the concepts of Eco-civilization. Poverty is another area; which President Xi always keep at the heart of every intervention. China has also launched multiple initiatives to work

with global community like Belt and Route Initiative, Asian Infrastructure and Investment Bank, Shanghai Cooperation organization etc.

China has also created a good number of regional forums like Forum on China- Africa Cooperation (2000), China-ASEAN Cooperation Mechanism (2003), China-Arab States Cooperation Forum (2004), China-Pacific Island Countries Economic Development & Cooperation Forum (2006), Forum of China and the Community of Latin American and Caribbean States (2015), China-CEEC “17+1 cooperation. These all initiatives are based on the concept of equality, cooperation and mutual respect irrespective of development status.

In the context of changing world and emerging role of China, Pakistan being close ally of China (iron brother) will have to look for new instruments of engagement, which can meet and satisfy the future needs of Pakistan. It is necessity of time as Pakistan is already facing problems from West due to brotherhood with China along with other reasons. It is good to note that Pakistan has already started to refine its policy of engagement. On diplomatic front, Prime Minister Imran Khan has the tone by saying, “Pakistan is ready to cooperate for peace not for conflict”. It would be good if Pakistan two more world “the development and prosperity” The addition of words will make the stance of Pakistan comprehensive and it will perfect depiction of real intentions of country.

However, on economic front Pakistan needs to work with dedication and will have to show firm commitment, as Pakistan is facing multiple challenges. Although China has extended the hand of cooperation in the form of China-Pakistan Economic Corridor (CPEC) but there is need to work more. Pakistan will have to build the capacity of its system to meet the requirements of huge project of CPEC. Pakistan will also have to devise tools and policies, which can help to convert the CPEC as flagship project of Eco-civilization. Although, Pakistan is already working on environment extensively but these efforts are not enough. Pakistan needs to be mindful that only plantation will not help to counter environmental and climatic challenges. Pakistan needs to transform the economy and CPEC according to the roles of Eco-civilization. Pakistan can get

cooperation from China, as China is firmly committed to the concept and doing everything to promote and implement it.

Lastly, Pakistan needs to learn from China one specifically, “how keep silence and move hands”. It will help to transform the whole culture of work and will help to meet the demands of future.

From: Daily Times Lahore, October 20, 2020

<https://dailytimes.com.pk/673408/the-contour-of-new-world-order-where-pakistan-stands/>

CPEC in Regional Context

China's Emerging Role of Mediator in Afghanistan

Recent years witnessed the ever-increasing role of China across various sectors like economy, military and environment, etc. China is on way to transfer the world economy by using the leverage of the size of its economy. President Xi's concept of shared prosperity is taking ground and spreading, even in the realm of existing liberal world order.

Belt and Route Initiative have become the signature policy initiative of President Xi. President himself has taken lead to preach the importance and benefits of BRI and is traveling across the world to expand it. He has assumed the status of the "Chief Diplomat" of China. The government under the leadership of the Prime Minister is not leaving any stone un-turn to make BRI as a success story for the 21st century, according to the vision of the President.

China has launched many programs and projects under the umbrella of BRI. Some of the projects are facing difficulties due to regional power and political games. One of the prominent examples is the China-Pakistan Economic Corridor (CPEC) including Bangladesh China Myanmar and India (BCMI) and some initiatives in Africa. CPEC being the flagship project of BRI is the love of every critic and politics. Regional and Global players are trying to make their efforts to turn it into a controversial by applying different instruments. However, the favorite tool is to capitalize on the existing fault lines.

Afghanistan issue is one of such fault lines in South Asia. Afghanistan is suffering from conflicts for almost four decades. War has become a

permanent fixture and it is impacting society at all levels. Food insecurity is increasing. Poverty levels are out of control. Climate change is another factor that posing serious threats to the nation. Future scenarios of climate change present a gloomy picture for Afghanistan. The list of problems for Afghanistan is very long.

Unfortunately, the list of opportunities is not long enough. It presents only a few opportunities. Although Western countries led by the USA have invested a lot in security economic investment does not correspond to security investment. The USA along with its allies is trying to fulfill the budgetary requirements but somehow is hesitant to invest in real time economic activities. Industrial development has been one of the most neglected areas along with other sectors of the economy.

Therefore, Afghanistan is not able to create economic opportunities for its people. People are looking for jobs for ensuring livelihoods for their families. They need decent jobs and earnings for investing in education, health, and good living. Unfortunately, opportunities are very scarce due to lack of investment in industry and other economic fields.

In this backdrop, CPEC emerged as one of the opportunities for Afghanistan to benefit from it. CPEC is a multidimensional opportunity. Pakistan, from the very inception of CPEC, is looking to extend it to Afghanistan and the other Central Asian States. However, its potential can never be exploited in Afghanistan without peace, especially for the private sector. Governments can take the risk to invest in conflict-hit areas but the private business community mostly remains hesitant.

China and Pakistan understand this fact very well. Therefore, during the last few years, both governments started to look for avenues for promoting and sustaining peace in Afghanistan. China is the only country which dared to invest in the economy of Afghanistan despite all the hurdles and risk for investment in the last few years.

During the past few years, China also emerged as one of the most proponents of peace in Afghanistan by engaging all stakeholders. Heart of Asia, Trilateral Dialogue among Pakistan, China, and the Afghan Government are two major interventions along with others. Heart of Asia

is more comprehensive initiatives and involves many countries to expand the benefits of peace and security. China is trying to play a role, which can bring peace and sustainable economic development in Afghanistan.

Tri-lateral dialogue is another initiative to directly engage with two most important stakeholders, Pakistan and Afghanistan. China is in a unique position as both countries trust China and its role. The first meeting was dedicated to understanding the standing of each country and possible interventions. The second meeting will be organized soon.

Question is, whether China will be in a position to change the course of actions in the context of Afghanistan. Many big players like the USA, UK, NATO, and other countries are already there and they have invested trillions of dollars in the fight against terrorism. Every actor has its own objectives to achieve apart from the requirements of Afghanistan. Despite this huge investment still, they are struggling to secure peace and according to a BBC report, the Taliban are governing almost 60-70 percent of Afghanistan. In this scenario, there are many “Ifs and Buts” for China to concentrate.

However, the neutral and objective oriented approach would be crucial to determine the future of any intervention. China has to identify the less controversial areas to start the process of mediation among all stakeholders. There are many areas, which qualify for that category but important ones are food security, poverty alleviation, education, health and environment, and climate change protection.

Poverty levels in Afghanistan are very high. It is estimated that 42 percent population lives below the poverty line and another 20 percent live marginally above the poverty line. It means this 20 percent population is highly vulnerable to any shock. The situation becomes more aggravated in the context that livelihood opportunities are very limited. Food insecurity is another area of concern. The majority of the population has to depend on imported food, which is beyond the purchasing power of people. Indicators of health and education are also not in good shape.

Although China is working on these issues from different forums like Heart of Asia and the group has created a good number of CBMs to cater

needs of Afghanistan. However, maybe China has to change gear here. It needs to involve more directly and brings in new programs. Good thing is that China has already started this process. It has now nominated a special envoy for Afghanistan and trying to help Afghanistan in a number of fields. It has started to invest in the country and provides support for capacity building for soft and hard infrastructure. It is helping China to build its image as a constructive partner.

Second important step would be to engage the most important and direct stakeholders for a peace deal. China is working on it for many years but with limited success. Now China has changed the gear and directly trying to bring the most important stakeholders to the table. It has taken initiative to start a tri-lateral among Afghanistan, China and Pakistan to look for ways for durable peace and prosperity. Pakistan and Afghanistan started to realize the importance of this initiative and both countries are cooperating with China to steer the process for a meaningful outcomes. China is also trying to take into confidence other players in regions and beyond including the USA, India, and others. The fundamental difference of China's role as a mediator from other countries is that it does not want to beat the drum of its role. It is silently working to achieve the objectives rather than creating noise about its role. We have already witnessed the success of this strategy in the case of North Korea and USA conflict. It silently supported the process and helped both countries to break a deal. Same results we can expect in the case of Afghanistan.

From: Daily Times Lahore, October 21, 2018

<https://dailytimes.com.pk/312568/chinas-emerging-role-of-mediator-in-afghanistan/>

CPEC: Relevance for Middle East

World Economic Outlook report by IMF stated that the MENA region will suffer a loss of US\$ 323 billion due to COVID-19 and lower oil prices. It is equivalent to 12 percent of GDP of region. Although all countries of MENA would be impacted but the major losers would be oil exporting countries from Middle East. The outlook highlighted that energy export dependent countries will suffer a loss of US\$ 295 billion. It has been foretold that oil exporting countries of region can lose revenue up to US\$ 23 billion in 2020 due to lower demand of oil in global market. COVID-19 and lower prices will also introduce many other problems. For example, it will also give rise to debt of countries which will touch the figure of US\$ 1.46 trillion. Fiscal deficit will be much higher and can reach to the level of 10 percent of GDP. The situation will be further complicated due to active conflicts in the region.

It will have spill over affect for other countries, as millions of workers from other countries are working in Middle East. The social and economic cost would be much more than these figure. For example, most of the Middle Eastern countries are dependent on the imported food to ensure food security. It has been warned by UN agencies and many organizations that due to COVID-19 the food trade and supply chains will be impacted. There is fear of escalation in prices of food, which will further aggravate the problem in the region.

The situation will become more complicated as the traditional partners of Middle East like USA, Europe etc. are also going through the worst attack of COVID-19. Their economies are also struggling to bear the shock. Millions of people have lost job, which will have severe implications for

economy and consumption of those countries. On top of that the domestic energy market of USA will not allow it to help region, rather it will be a competitor. Therefore, traditional partners would not be able to help the Middle Eastern economies.

Hence, the region will have to look for new avenues for its economic revival and ensure availability of food and daily essential. Fortunately, CPEC has emerged as one of such avenues. Middle East has already experience to work China and Pakistan for decades. China is already engaged with region and in recent times it has emerged as the biggest trade partner and investor in the region. A report by BESA Center stated that the bilateral trade between China and Middle East has crossed the figure of US\$ 294 billion. China's investment in region has been exhibiting a positive trend and it has crossed the figure of US\$ 93 billion between 2013-2019. In 2018 China at China-Arab Forum announced that it will be investing US\$ 23 billion in oil and gas sector in Arab countries. China is also busy in striking deal with individual countries. China signed a deal of US\$ 10 billion to invest in refinery in addition to copper, food, energy and other sectors. China has also signed deal with Iran for 25 years to invest almost US\$ 400 billion in different sectors. China will be given preference for future bidding and investing in Iran. It has also signed deals with other countries in the region.

Pakistan is also a close ally of region. Millions of Pakistanis are working in different countries and are contributing billions of dollars in national economy. Pakistan is among one the bigger importer of oil from the region.

COVID-19 has provided an opportunity to further strengthen the relation. As all countries are facing problems due to COVID-19 and there is need of cooperation to revive the economies and give impetus to growth. Moreover, there is need to pool the resources and work together, as no individual country or region will be able to revive economy at individual level. In present circumstance, China-Pakistan Economic Corridor (CPEC) can provide an opportunity to pool resources, overcome the problem and revive economy. It would be a win-win proposition for Pakistan, Middle East and China. Middle East will be able to diversify

their investment portfolios. The biggest catch for Middle East would be to ensure the food supply to meet the local demand. China will benefit by finding new place for export of their products to Middle East under the umbrella of CPEC. It will also help to ensure un-interrupted supply of oil to China through CPEC route.

However, to materialize the proposal China, Pakistan and Middle East will have to devise a formula to materialize the proposal. The entry point can be Special Economic Zones (SEZs). China and Pakistan should look for individual countries from Middle East to invest in different SEZs. Each country from the region should be offered a dedicated zone for cooperation. Then devise a formula for investment and benefit sharing. The investment should be divided in two categories, 1) construction of SEZs, 2) industrial development in SEZs. Second area of cooperation can be investment in backward linkages of SEZs. It will give impetus to local economy and will create good investment opportunities for all countries. The construction will also create good livelihood opportunities for unskilled labour.

Third area of cooperation can be agriculture sector. For that purpose, Pakistan and China can look for ways to enhance the scope of MoU on agriculture and try to expand it to Middle East. Pakistan has vast land, China has technology and Middle Eastern countries have resources. It presents an excellent proposition for cooperation. Therefore, MoU can be refined on these lines. It would be extremely important and win-win scheme. As China and Middle East both are looking for quality food and Pakistan is looking for investment in agriculture to modernize it.

Fourth, all partners can work to identify areas for work to benefit from the Fourth Industrial Revolution. The MoU on Science and Technology under CPEC provides a good opportunity to start the work. The cooperation will help Pakistan and Middle East to lessen reliance on Western markets. It will also help to create domestic capability to benefit from the fourth industrial revolution.

Lastly, to materialize all these proposed intervention China, Pakistan and Middle East need to work on the possibility to transfer the CPEC into a

tri-lateral venture. The starting point can be to work on possibility to establish a “CPEC-Middle East Forum” like China-Arab Forum.

From: Daily Times Lahore, April 25, 2020

<https://dailymirror.com.pk/601732/cpec-relevance-for-middle-east/>

Dream of Becoming Great Power Deters India from Joining CPEC

India has been skeptical about the China-Pakistan Economic Corridor (CPEC) from its inception. It considers CPEC a stumbling block in the way of realizing its dream of great power in Asia. For the past two decades, India has been trying to achieve high economic growth, which is a pre-requisite for gaining the status of great power. India has also expressed immense interest in matching the economic advancement of China but with no success.

Although India now boasts of being able to cross China's growth rate, it could not achieve the goal of economic development similar to the rapid progress in China. In 2018, India notched up 7.5% growth, suggesting that it had beaten China where the economy grew 6.5%. In mathematical terms, it seems fascinating, but its translation into real development does not make any difference. Calculations published in The Times of India in March 2018 categorically rejected the idea of a comparison between India and China pertaining to gains in net worth during 2017-18.

Estimates show that with 7.5% growth, India would be able to add only \$215 billion to its gross domestic product (GDP) in 2018. For China, the addition to GDP would be \$1,181 billion. The author of a report in The Times of India highlighted that in order to match China's development, India needed to grow at a pace of 40%, which was impossible. According to the author, India needs to redesign its approach, should not strive to compare itself with China and focus on its own economic growth and development.

There is no doubt that India is an emerging economy with a rising middle class and it has its own advantages like sustainable growth. It is one of the biggest markets. But the country should play a constructive role by helping reap benefits of cooperation and economic initiatives.

Unfortunately, India's actions point to another direction. It is trying to act as a stumbling block in the region. CPEC is the latest victim of this attitude. Although some experts believe it is due to India's enmity with Pakistan, it does not reflect the full story. India considers CPEC as a hurdle in the way of becoming a great power in Asia. Therefore, Delhi deems it necessary to make CPEC a failure.

However, sane voices in India are highlighting the other direction. They are asking their government to be a partner in CPEC and reap enormous benefits of economic development under the Program.

Ex-diplomat Shyam Saran points out that looking at the financial health of India; it will be wise to be part of China's Belt and Road Initiative (BRI) including CPEC, which provides opportunities. It can pave the way for regional connectivity and improvement in regional trade, which at present is very low compared to other regions of the world.

The World Bank estimates there is only 5% intra-regional trade in South Asia compared to 25% in the Association of Southeast Asian Nations (ASEAN) bloc. Regional investment also shows a sorry state of affairs as it is less than 1%. In order to improve regional connectivity, there is a need to improve transport and related infrastructure. South Asia is lagging far behind in this area.

The World Bank in 2014 estimated that South Asia needed \$1.7-2.5 trillion to improve its infrastructure related to transport, services and other areas till 2020. Spread annually over all these years, it shows that every year South Asia will have to invest 6.6-9.9% of its cumulative GDP. A worrying factor is that the lack of investment increases the cost of investment. Pakistan and India, which are major economies in South Asia due to their high population and growing middle class, have to take major steps to bring improvement in the region.

Opportunity

CPEC provides the region with an opportunity to take benefit of the gigantic project and become part of the greater BRI. Although CPEC will not be able to provide all the required investment, it will help to cover a substantial part of it. By recognizing this fact, Pakistan has become part of CPEC.

In recent years, Pakistan has immensely benefited from investment in energy and transport infrastructure. It is also advisable for India to be part of it and gain advantages. Its inclusion will also clear the way for other regional countries to embrace CPEC, resulting in smooth sailing for the economic corridor and the BRI.

Moreover, if India joins CPEC, it will open doors of opportunities for connectivity with the Central Asian states. It will open Afghanistan and Central Asian markets for India. India is craving for many years to enter Afghanistan and Central Asia and CPEC is the answer. It will also be beneficial for other regional countries as it will open markets for Nepal, Sri Lanka, and Myanmar.

Fortunately, China and Pakistan are willing to include India or any other country in CPEC. Both countries have emphasized many a time that CPEC is a project of the future and for everyone. However, India's self-perceived fears and assumptions are a major obstacle. The South Asian region needs an investment of \$1.7-2.5 trillion only in infrastructure. It does not include investment in education, health care, skill development, and human capital development. The addition of these may increase the investment level to \$3-5 trillion.

From: The Express Tribune Islamabad, February 11, 2019

<https://tribune.com.pk/story/1907742/dream-becoming-great-power-deters-india-joining-cpec>

CPEC and Opportunities for India

India has been skeptical of the China Pakistan Economic Corridor (CPEC) from its very inception. It recognizes CPEC as a stumbling block for the realization of its dream as a great power of Asia.

In 2018 India presented a 7.5 percent growth rate as a sign of overcoming China with a growth rate of 6.5 percent. In mathematical terms, it seems fascinating but its translation into real development of net worth does not make any difference. According to calculations published in the Times of India in March 2018, they clearly reject the notion of any comparison between China and India in terms of gains in net worth during 2017-2018.

Calculations show that with 7.5 percent growth India would only be able to add 215 Billion US dollars in 2018 to its GDP. For China, the figure would be 1181 billion US dollars. China's rate of increase in the economy almost equals half of India's economy every year.

There is no doubt that India is a rising middle power and it has its own advantages. It is one of the biggest markets. It has a rising middle class, which is important for sustainable growth. But the point is that India has to be realistic in exhibiting its status and power and play a constructive role. It will reap the benefits of cooperation and economic initiatives.

Unfortunately, India's actions point to another direction. From its perceived imagination, India is trying to act as a stumbling block in the region. CPEC is the latest victim of this attitude in India. Although some experts believe that it is due to the enmity of India toward Pakistan, it is not the full story.

However, sane voices in India are arguing in another direction. They are asking their government to be a partner in CPEC and reap the benefits of economic development. CPEC has enormous benefits for India. Shyam Saran, ex-Indian diplomat pointed out that looking at the financial health of India, it is wise for India to be part of the Belt and Road Initiative (BRI), and CPEC presents an opportunity.

For improving regional connectivity there is a need to improve transport and related infrastructure. South Asia is lagging behind on this by a million miles. The World Bank in 2014 estimated that South Asia needs 1.7 to 2.5 trillion dollars to improve its infrastructure related to transport, service, and others till 2020. The annual spread of this required investment shows that every year South Asia will have to invest 6.6 to 9.9 percent of the accumulative GDP of South Asia. Another dimension of the issue is that lack of investment will increase the cost of investment, as we have observed it has increased from 3 percent in 2010 to 6.6 to 9.9 percent in 2014. Pakistan and India stand alone in all these calculations due to the increasing population and middle class.

CPEC provides an opportunity for the region to benefit from it and become part of the greater plan of BRI. Although CPEC will not be able to provide all the required investment it will help to cover a substantial part of it. Pakistan by recognizing this fact has become part of CPEC. In recent years Pakistan has immensely benefited from investment in energy and transport infrastructure. It is also advisable for India to be part of it and reap the benefit. The inclusion of India will also pave the way for other regional countries and there would be smooth sailing for CPEC and BRI. It is also important for India in the context of the transition of the economy from the primary to the tertiary stage. Right now, India's secondary sector i.e. the manufacturing sector did not show much development. It is necessary for the transition phase that the manufacturing sector takes off to create jobs. The same is true for Pakistan and Pakistan is trying overcoming this through CPEC investments. Planned Special Economic Zones are a step in this direction.

Moreover, joining India to CPEC will also open doors of opportunities for regional connectivity and connectivity to the Central Asian States. Being

part of CPEC and BCMI, India can benefit by creating linkages between these corridors. It will open Afghan and Central Asian markets for India. India is craving for many years to enter Afghanistan and Central Asia, CPEC can help it. It would also be beneficial for other regional countries, as it will open markets for Nepal, Sri Lanka, and Myanmar, etc.

Fortunately, China and Pakistan are open to the inclusion of India or any other country in CPEC. Both countries have reiterated many times that CPEC is a project of the future and for everyone. However, India's self-perceived fears, assumptions, and dreams are hindering the inclusion of India. India can decide anything as a sovereign country, but it has to keep in mind that the opportunity cost of missing CPEC and BRI is very high for India and the region.

South Asia needs an investment of 1.7 to 2.5 trillion US dollars, only for infrastructure. This does not include the investment in education, health, skill development or human capital development. The addition of these costs may increase the investment figure to 3-5 trillion US dollars. Therefore, taking any initiative, India must remember that 3-5 trillion is beyond the capacity of any country or South Asia as a region.

From: Daily Times Lahore, January 28, 2019
<https://dailytimes.com.pk/348558/cpec-and-opportunities-for-india/>



Shakeel Ahmad Ramay
Political Economist