FPCCI' Stance On

China – Pakistan Economic Corridor (CPEC)

Farsightedness, Apprehensions and Background

The Federation of Pakistan
Chambers of Commerce and Industry

وفاق ایوان ہائے تجارت وصنعت۔ پاکستان

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Preface

A significant majority of Pakistani statesmen and analysts has warmly welcomed the China Pakistan Economic Corridor (CPEC) and this project was considered as an accelerator of economic growth, a mean of the inter-provincial linkages &connectivity, a source of the development of badly required physical infrastructure in Pakistan, and a 'Game Changer' in the patterns of regional development ranking. At the same time it opened a public debate and become the most popular topic of discussion in public forums, research seminars, academic discussions, views on social media, columns and editorials in print media and TV talk shows. It led the several apprehensions and controversial debates and arguments. The role of anti-Pakistan forces behind the 'false arguments' and 'artificial controversies' cannot be disregarded, however, the lack of transparency in the investment and business related contract is also responsible for creating several ambiguities.

Being the representative of private sector and the main stakeholder of the national economy FPCCI cannot keep itself isolate from this project. The economic scenario and parameters will be changed by this project which will change the comparative returns and the level of risk in the various sectors and types of businesses. At initial stage we have signed a 'Memorandum of Understanding (MoU)' with the Planning Commission and then we have constituted a 'CPEC Advisory Committee'. After several meetings, dialogues, interviews with the vested interest groups and inviting comments by the stakeholders we have prepared this report. We have scrutinized and examined the views of different segments of academia, civil society and business community then prepared the final recommendations on unbiased and impartial basis in the larger interest of Pakistan.

All the ambiguities and controversial arguments have been categorized in six statements. These statements established the six testable hypothesis, which have been examined by FPCCI research team. Our recommendations are based on this impartial mechanism. These controversial statements are:

1. CPEC is a part of a great international power game which has deep-rooted implications for the region. The economic and strategic interests of Pakistan, China, Iran, Afghanistan, Central Asian States, USA and India may be affected.

2. The corridor will lead the changes in the patterns of industrial and commercial development in Pakistan by means of the new growth centers and urbanization drive in the country. The cities adjacent to the corridor and proposed economic zones will gain the values. Consequently the development ranking of the cities in Pakistan will be changed which will affect the comparative prices of the properties and the patterns of investment in real estate sector in the country. The new industrialized cities and commercial centers will generate the additional capacities for employment creating opportunities also. This view created a 'Western versus Eastern Route' controversy.

3. It will change the ethnic composition of the population in Balochistan because a large scale internal migration is expected. The changing in development ranking and new employment opportunities in the areas adjacent to the corridor is the main cause of expected relocation of population. It establishes a complementary hypothesis (apprehension) that native residents of Balochistan will not get their due share in the development of Balochistan.

4. Inflow of Chinese investment and business enterprises will adversely impact the interests of business community in Pakistan. It covers the signing of FTA with China and flooding the Chinese products, inflow of Chinese Investment, and migration of Chinese labor to Pakistan.

5. Another contradicted view is that the project is not financially feasible for Pakistan as the country has to pay higher cost of financing because of the unwise negotiation with Chinese investors and over estimation of project cost. Pakistan has to pay higher cost of services.

6. Some segments have indicated the element of corruption and bad practices in the project. It indicates that the transparent mechanism was not followed in the negotiations and contracts with the Chinese firms.

The main objective of this report is to contemplate these intuitive and conclude FPCCI stance with doable recommendation on impartial, unbiased and neutral basis. The ultimate objective of these recommendations is the sustainable economic prosperity of the nations.

There are several big questions marks in the minds of business community and even in the minds of common peoples. FPCCI have discussed these points at length and after getting views from the concerned groups and collecting the facts and figures we examined the available observations and evidences. We contemplated the contradictory points and prepared our recommendations completely on impartial, unbiased and neutral basis in the best interest of our beloved nation. Based on the available evidences and critical analysis we concluded that CPEC is undoubtedly an important initiative which can change the regional development scenario in favor of Pakistan. In the present regional context this is the best option for the revival of economy and accelerated growth. It covers various aspects of the economy which have been discussed with details in this report. No doubt, this will be a 'Game Changer' initiative.

During the last two years FPCCI have prepared reports on the 'Revival of Economy' and 'Economic Vision 2025'. We categorically emphasized on the accelerated growth of economy. According to our estimates the revival of economy and reducing the economic miseries of common peoples are not possible at a GDP growth rate less than 7 percent. To achieve this 7 percent rate of growth infrastructure development was the primary requirement. China-Pakistan Economic Corridor (CPEC) is one of the required activities in line with FPCCI recommendations, because it provides the doable modes of resources to develop the required infrastructure.

The FPCCI's Advisory Committee on CPEC has strongly emphasized on establishing mechanisms: (i) to protect the local investors,(ii) to boost the indigenous manufacturing industry in Pakistan, (iii) to protect the indigenous peoples and industrialists from hegemony of incoming powerful industrial giants, (iv) to expedite work for completion of the Dams in Gilgit-Biltistan, (v)construction of alternative routes for the peoples who want to avoid from the busy corridors. More importantly the frequent visits of FPCCI delegations to the sites must be arranged to keep business community inform and update about the ground realities.

The most important point in the conclusion is the need of transparency. We strongly recommended the complete transparency in all projects and components of CPEC. What will be effects and side effects it will be fully disclosed. Their effects must be publicized at large. Being the representative of private sector and the representative of major stakeholders of the economy FPCCI must be included in all agreements. We must be the partner in governance and management of economic zones adjacent to CPEC. The delegation of FPCCI representing different industrial sectors must visit frequently to the sites of CPEC to monitor the progress of work. We suggest that FPCCI and Planning Commission should jointly arrange the brain storming sessions and roundtable in different cities of Pakistan on the above mentioned issues to synchronize the thoughts.

In granting the incentives to Chinese investors and enterprises, the policy makers must not ignore the Pakistani investors. Being the representative of private sector and the largest stakeholder of the economy FPCCI understands the interests of Pakistani investors and entrepreneurs. We have firm opinion that interests of the local investors must be protected and at least the same incentives should be provided to Pakistanis which have been granted to foreign investors. The interests of the residents of Balochistan and Gwadar should be protected through legislations. The overseas Pakistanis should also be encouraged to invest in CPEC related projects including investment in industrial zones.

So far as the establishing the Economic Zones adjacent to CPEC is concerned, FPCCI in strong favor of this idea, however, the incentives to the industries in these zones should not affect the profitability of the existing industries. Particularly fiscal incentives may affect the investment in the other cities. If these incentives are in the form of exemption of direct taxes they will hit the return on investment because attractive profitable projects will be available in the same sectors in industrial zones. The most adverse impact on the existing units may be in the form of exemption from indirect taxes. We will not recommend any exemption from indirect taxes. If government provides any incentive through exemption from indirect taxes (or reduced tax rates) it should be for all –old and new units.

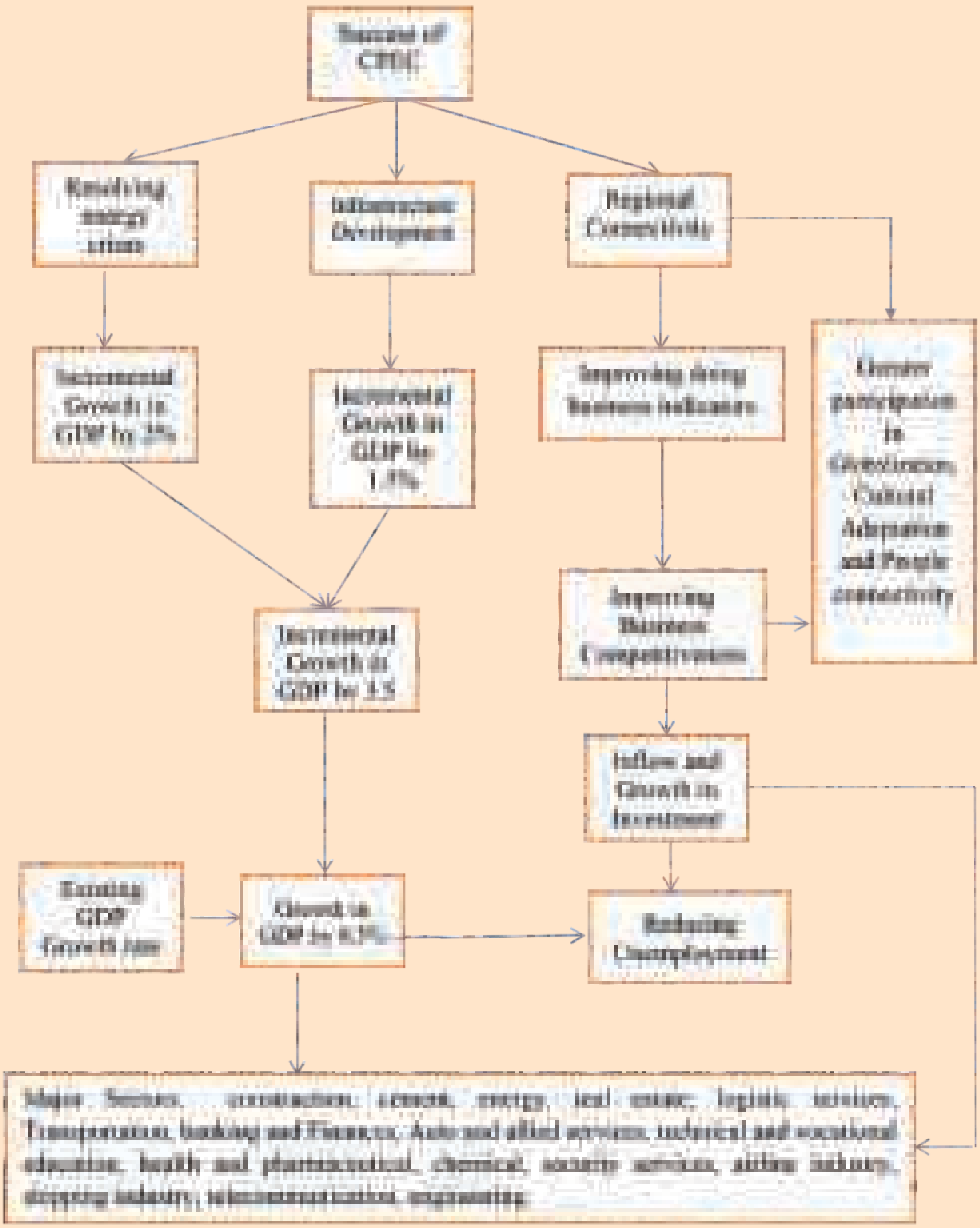
Furthermore, we suggest that management of Economic Zones should be completely managed by private sector as it is the normal practice in industrialized countries. The success of these Economic Zones is directly related with synchronization on the above mentioned issues and sustainable solution including resolving the energy crisis and maintaining Law & Order conditions.

Since last several years the government has not announced industrial policy. Government has been emphasizing on demand management policies, where economic management and targets were based on the monetary and fiscal mechanism. The over-dependency on Bretton Woods System was the major cause of emphasizing on demand management policies. The determination of the rate of interest, taxation policies, subsidies and raising the public debts are the major tools of demand management policies. The supply-side polices are required for sustainable growth in the present regime, where much emphasize is required on investment and labor policies. The government should cover the labor, investment, production, energy, education and training, research and development and industrialization in its industrial policy. These are components of the supply side economics which should be incorporated in the industrial policy.

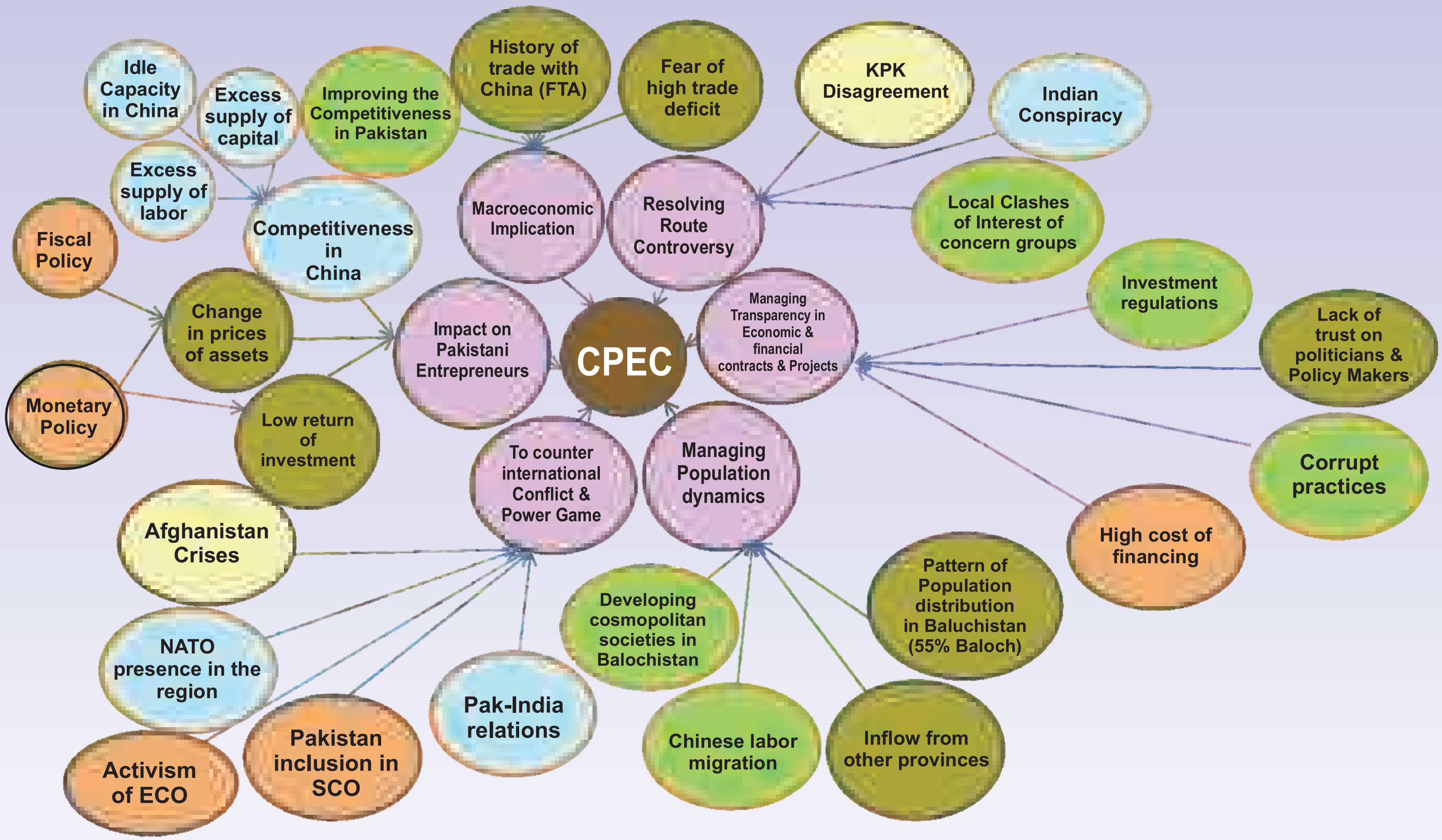
On behalf of the Federation of Pakistan Chambers of Commerce and Industry (FPCCI) I assure our fullest cooperation and expect that in formulation of Industrial Policy we must be taken in confidence and being the apex representative of stakeholders our participation in the formulation of economic policies will be ensured by the policy makers.

Abdul Rauf Alam
President
Federation of Pakistan
Chambers of Commerce and Industry (FPCCI)

Farsightedness:
Impact of CPEC on socioeconomic conditions



Determinants of CPEC Do-Ability



Orange	=	Policy measures are required by Government of Pakistan
Green	=	Regulatory Framework Required
Yellow	=	Conflict Management Required
Turquoise	=	Exogenous Factors

Global Implications of Economic Corridors in China & ECO Countries

1.1 Revival of the Historical Routes in Central Asia:

Economic history of Central and South Asia is largely associated with the connectivity of trade and natural and human resources among the peoples of Central and South Asian countries. The silk rout and the Grand Trunk road (famously known as 'GT Road' in Pakistan and India) have been providing the major source of this connectivity. In the bipolar regime in 20th century, the direction of trade and mobility of resources of Central Asian States have been shifted from South Asia to Eastern Europe which was not an historical route of the trade and resource mobilization. The economic, political and social history of Central Asian States is significantly connected with South Asia. The visible signs of the revival of historical routes can be observed in the region after the fall of Soviet Union.

The ratification of TIR Convention by the ECO countries, the white card scheme to facilitate the drivers to travel across the boarders in ECO member countries, simplification of visa process for travelling ECO member countries, ECO Trade Agreement to enhance the trade among the member countries, Visa sticker scheme for the leading businessmen to allow travel across the border without visa and the formation of ECO trade and development bank and the insurance company are the indicators of reviving the historical relations among the Central and South Asian countries.

In 2013, Chinese leader Xi Jinping introduced a new development strategy and framework called "One Belt, One Road (OBOR)", which focuses on connectivity and cooperation among countries, primarily between People's Republic of China and the rest of Eurasia. OBOR has 6 trade corridors spread mainly over Eurasia but also touch the fringes of Pacific, North & East Africa. The main corridors are: -

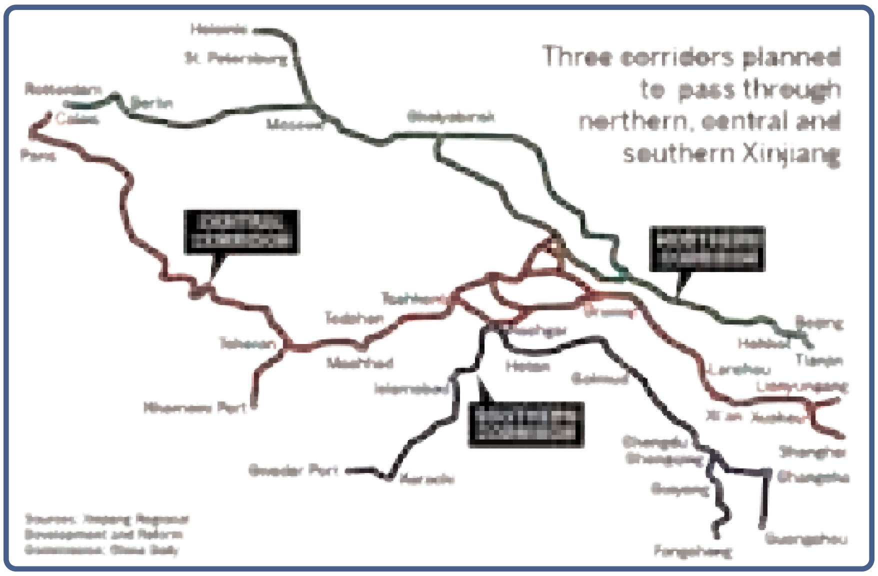
1)China – Mongolia - Russia Corridor
2)New Eurasian Land Bridge
3)China – Central Asia – West Asia Corridor
4)China – Indochina Peninsula Corridor
5)China– Myanmar – Bangladesh – India Corridor
6)China – Pakistan Economic Corridor (CPEC)

It is expected that within a decade China's annual trade with OBOR countries will exceed $ 2.5 trillion. OBOR will cater for 2/3 of the world population, 1/3 of the world GDP and 1/3 of the world services &goods. China- Pakistan Economic Corridor (CPEC) is the main component of OBOR. The basic concept of CPEC is to join Gwadar (Arabian Sea port in Pakistan) with Kashgar / (Xinjiang province) in Western China.

It is interesting that Eastern and Central Chinese provinces have been developed but the Western side is still lacking. When Deng Xiaoping created China's first special economic zone (SEZ) in 1980, Shenzhen was transformed from a tiny fishing village to the 3rd busiest port of the world. Now, more than 30 years later, China has focused on another special economic zone: Kashgar, the center of Uygur civilization and once an important staging post along the Silk Road. Chinese government is keen to regain the status of the Kashgar as was hundreds of years ago, when caravans between East and West made it to the most important city in western China. In 2010, the slogan "Shenzhen in the East, Kashgar in the West" became emblematic of the city's new status as an economic zone. To materialize that dream, the base and jump off point has to be Gwadar. In this way Gwadar becomes the main component of CPEC, giving shortest access. CPEC has the most obvious advantages over the other corridors because of its location. It links Gwadar with Kashgar at the middle of OBOR, where the quantum of business and traffic will be at highest peak.

1.2 Corridors in ECO Member Countries:

Besides Chinese government, the Economic Cooperation Organization (ECO) is the flagship institution to enhance the trade and economic relations among ECO member countries namely Afghanistan, Azerbaijan, Iran, Kazakhstan, Kirgizstan, Pakistan, Tajikistan, Turkmenistan, Turkey and Uzbekistan. The secretariat of ECO Chamber of Commerce and Industry in Pakistan is serving to promote the trade among ECO countries and materializing the



benefits of China-Pakistan Economic Corridor (CPEC) for all ECO member states. Other than CPEC the following corridors and trade enhancement projects are in progress in ECO Countries:

a. Quadrilateral Agreement on Traffic in Transit (QATT):

Pakistan, China, Kazakhstan and Kyrgyzstan are included in this agreement, while Tajikistan has also requested for being part of this arrangement. The road between Almaty (Kazakhstan) and Karachi (Pakistan) is likely to be extended to Turkmenistan, Uzbekistan and Tajikistan subject to peace in Afghanistan

b. Islamabad-Tehran-Istanbul (ITI) Train Network:

It is a part of the Trilateral Connectivity Networks between Iran, Pakistan and Turkey which covers connectivity through rail, road, air and optic fiber. The journey (6566 Kilo meter) from Islamabad to Istanbul via Tehran 6566 takes 14-16 days, as compared to 40-45 days from Karachi to a Turkish sea port. Agreement has been reached to cut the journey time from 15 to 10 days through swift trains.

c. Trilateral Transit Trade Agreement (TTTA):

The trade passage of Pakistan-Afghanistan-Tajikistan shall pass through the Khyber-Pakhtunkhwa Province, Lowari Tunnel through Afghanistan's Wakhan district near Khandud village (where distance between Pakistan and Tajikistan is nearest around 10 KM). It may link Gwadar sea port in Arabian Sea to Dushanbe. The main hurdle in this transit exchange is insistence by Afghanistan to include India in the agreement, while Pakistan has been hesitant until political settlement with India.

d. Pakistan - Uzbekistan Transit Trade Agreement:

This agreement covers the facilitations in all transport methods between Pakistan and landlocked Uzbekistan.

e. Pakistan – Iran – Turkmenistan Commerce Cooperation (PITCC):

It is part of a larger vision of International North–South Transport Corridor where goods can be offloaded in Gwadar and carried to Russia.

f. Afghanistan – Pakistan – India – Bangladesh - Myanmar (APIBM) Corridor:

It is a proposed corridor to restoring historical Afghanistan-Pakistan-India-Bangladesh-Myanmar (APIBM) route which is considered a road of shared prosperity for South Asia.

g. Pakistan – India - Nepal Integrated Network:

The route to Nepal shall give Pakistan access to major Chinese cities of Chengdu, Chongqing and Kunming.

h. Central Asia & South Asia (CASA) – 1000:

It is an ambitious project of regional energy cooperation among Pakistan, Afghanistan, Tajikistan and Kyrgyzstan with a potential to reach from 1000 MW to 4,000MW electricity transmission alleviating power woes for the South Asian countries involved

i. Indus River Trade Corridor:

It is envisaged that by developing this river a fast alternative track for goods and passengers' transportation can be developed. The transport expenses can be reduced to half, as one liter of fuel is able to ship one ton of consignment up to 180 km over waterways as compared to only 25 km and 75 km by road and rail respectively.

j. North–South Transnational Corridor (Kazakhstan - Turkmenistan - Iran railway link):

It provides Arabian Sea access to landlocked Kazakhstan and Turkmenistan through railway link via Iran.

k. Iran - Pakistan - India Pipeline:

Originally India was included in this project to buy natural gas from Iran but now the work is in progress between Iran and Pakistan

l. Turkmenistan – Afghanistan - Pakistan and India (TAPI) Pipeline:

The TAPI pipeline is a major interlinking project for energy.

m. Trans-Iranian canal:

The idea of linking the Persian Gulf and the Caspian Sea by a canal.

All the projects for efficient connectivity in transportation and energy reflect the direction of trade and mobilization of resources in future. However, China Pakistan Economic Corridor has become more crucial because of its geo strategic and economic importance. It has become a part of the largely debatable global issues and politicized by neighboring countries of Pakistan. No doubt the project has its political impact as it can change the patterns of regional development and will improve the strength of Pakistan's relations with China and other participating countries.

1.3. China and South Asia: The Two Largest Economies for 400 Years

According to economic historian Angus Maddison of Groningen University (The World Economy: A Millennial Perspective), India had the world's largest economy in the 1st century and 11th century, with a 33 percent share of world GDP in the 1st century and 29 percent in 11thCentury. Though, Maddison's estimates have been criticized by some historical national account statisticians because of taking some controversial assumption, they provide an historical economic ranking. It was revealed that India's share of the world income went from 24 percent in 1700to a low of 4 percent in 1952. A broader macroeconomic view of India during this period reveals that there were segments of both growth and decline, resulting from changes brought about by colonialism and a world that was moving towards industrialization and economic integration. Historically, India and China were the biggest economies. Now, in globalization regime the history is being repeated as Asian economies are growing at faster track.

The changes in the global economic ranking and patterns of development are highly expected in the present regime of liberalization. The role of emerging economies, growing number of democracies, implementations of the WTO' clauses and promoting competitiveness are the sufficient indicators to believe the changes in the global development patterns. It will be quite natural and historical. South Asia has no exemption from this scenario. It is observed in global economic data that South Asia and China are rapidly moving towards their historical positions.

China and South Asia: From the World Largest Economies to Extreme Poverty

Period	Largest / Top Ranked Country (GDP)	2nd Top Rank Country	Economic Indicators
1550 - 1575	China	India	The gross domestic product of India in 1550 was estimated at about 40 per cent that of China.
1575 - 1600	China	India	The gross domestic product of India in 1575 was estimated at about 50 per cent that of China.
1600 - 1625	China	India	The gross domestic product of India in 1600 was estimated at about 60 per cent that of China. The revenue in 1600 was estimated at £17.5 million; in contrast to £16 million the entire treasury of Great Britain in 1800.
1625 - 1650	China	India	The gross domestic product of India in 1625 was estimated at about 70 per cent that of China.
1650 - 1675	China	India	The gross domestic product of India in 1650 was estimated at about 80 per cent that of China.
1675 - 1700	China	India	The gross domestic product of India in 1675 was estimated at about 90 per cent that of China.
1700 - 1725	India	China	During this period, the Mughal empire expanded to almost billion acres (or 90% of south Asia). A uniform tax administration system was enforced for almost the whole of south Asia. Annual revenue reported by the exchequer exceeded £100 million in 1700 (twice that of Europe then).
1725-1750	China	India	The gross domestic product of India in 1725 was estimated at about 90 per cent that of China. Collapse of the central authority of the Mughal Empire and the resultant chaos triggered India's long but slow decline on the world stage.

Period	Largest / Top Ranked Country (GDP)	2nd Top Rank Country	Economic Indicators
1750 – 1775	China	India	The gross domestic product of India in 1775 was estimated at about 70 per cent that of China. During this period, Maratha rule replaced Mughal rule in central India. However, the Mughal tax administration system was left largely intact. During this period, the Maratha empire expanded to almost 250 million acres (or 35% of India). During this period, about two - thirds of the civil service in India was still dominate d by Muslim officers.
1775 – 1800	China	India	The gross domestic product of India in 1800 was estimated at about 60 per cent that of China. During this period, the East India Company began tax administration reforms in a fast expanding empire spread over 250 million acres (or 35 percent of India). Indirect rule was also established on protectorates and buffer states. The British colonial rule created an institutional environment that did stabilize the law and order situation to a large extent. They created a well-developed system of railways, telegraphs and a modern legal system. The British foreign policies however stifled the trade with rest of the world. They concentrated on exploiting the resources of India to their advantage. The British focus on their own interests created a situation in which India could not benefit from major changes in the world economy - industrialization, growth in trade and production, and new thinking on economic policies followed by states.
1800-1825	China	India	The gross domestic product of India in 1825 was estimated at about 50 percent that of China.

Period	Largest / Top Ranked Country (GDP)	2nd Top Rank Country	Economic Indicators
1825 – 1850	China	India	The gross domestic product of India in 1850 was estimated at about 40 percent that of China. Industrial revolution in the UK catapulted the nation to the top league of Europe for the first time ever. English replaced Persian as the official language of India.
1850 – 1875	China	USA	The gross domestic product of India in 1875 was estimated at about 30 percent that of China (or 60 per cent that of the USA). The formal dissolution of Mughal Empire. Massive railway projects were begun, and government jobs and guaranteed pensions attracted a large number of peoples.
1875-1900	USA	China	The gross domestic product of India in 1900 was estimated at about 20 percent that of the USA. Collapse of the central authority of the Qing Dynasty and the resultant chaos triggered China's short but rapid decline on the world stage.
1900 - 1925	USA	UK	The gross domestic product of India in 1925 was estimated at about 10 percent that of the USA. Zoroastrian business conglomerates Tata and Godrej begin to dominate textile, mining and durable goods industries (Now, Tata may refer to Tata Motors, Tata Steel, worlds fifth largest steel producer, Tata Consultancy Services, India's largest IT company, Tata Airlines, now Air India Tata).
1925-1950	USA	USSR	USA was the world's largest economy followed by the USSR, UK, China, France, Germany and India. The gross domestic product of India in 1950 was estimated at about 7 percent that of the USA.
1950-1975	USA	USSR	The gross domestic product of India in 1975 was estimated at about 6 percent that of the USA. Socialist Reforms in India Less than 3 percent rate of Growth
1975-2000	USA	Japan	The gross domestic product of India was estimated at about 4 percent that of the USA in 2000 and about 7 percent in 2006.Privatization reduced the role of the state and public sector in business. Globalization made it easier for the MNCs to operate in India.

History of Development Rankings

Period	Top Ranked Countries		
	1	2	3
1550-1700	China	India	France
1700-1725	India	China	France
1725-1825	China	India	France
1825-1850	China	India	UK
1850-1875	China	USA	UK
1875-1900	USA	China	UK
1900-1925	USA	UK	China
1925-1950	USA	USSR	UK
1950-1975	USA	USSR	Japan
1975-2000	USA	Japan	Germany

1.4 Changing Patterns of Economic Development:

Global development rankings have rapidly been changed as G7 (or G8) club has extended to G13 by including 5 fast growing nations – China, India, South Africa, Brazil and Mexico. Pakistan is the legacy of Muslim Empire in Delhi between 1550-1575. But its present Economic ranking reflect the extreme deterioration in economic development, while today's India has joined G 13 club of fast growing nation. Historically, the rate of growth of Pakistan economy was higher than the growth of those five nations which now have been included in G13. Pakistan has lost the track of faster growth two decades before. The present deteriorated physical and governance infrastructure do not allow the country to run at the fast track of development. Its domestic economy was under extreme pressure due to severe energy crisis which has damaged the industrial activities in the country. Outflow of investment, growing unemployment, increasing inflation, lower capacity to generate public revenue, high indebtedness and social unrest are the ultimate outcomes of this crisis. The projected ranking based on highest rate of growth indicate the further deterioration in the development ranking of Pakistan in comparative term. To make it comparable with India and China the Country requires an annualized GDP growth greater then 7 percent. A restructuring in economic policies and revamping of physical infrastructure in transport, telecommunication and energy is required. China Pakistan Economic Corridor (CPEC) provides feasible way to break the vicious circle. The position of Pakistan was much better than India since 1747 to mid 1980's in term of Per capita income. However India intersected Pakistan in early 1990's now India's position is much better than Pakistan in term of Per capita Income. The trends show that Pakistan will overtake India again in the presence of CPEC.

The contemporary history of world politics indicates that economic powers lead the nations on all fronts including politics, education, culture, military and technology. In present regime of globalization, the responsibilities of private sector have been changed and enhanced but to accelerate private sector revolutionary changes are required.

Trends of Economic Growth (GDP/ Billion US $)
Based on 9 Percent rate of growth in GDP for Pakistan

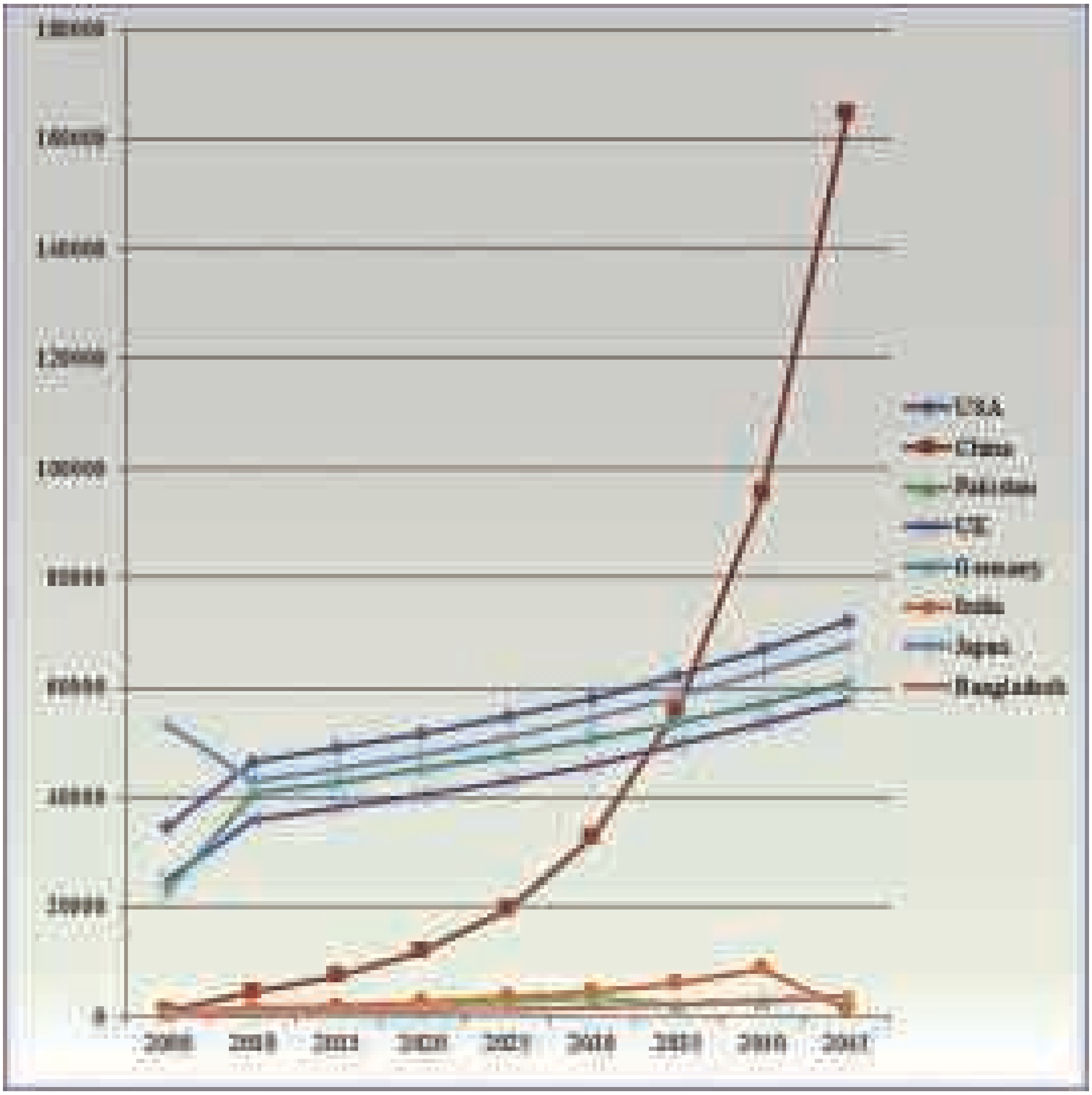
Country	2000	2010	2015	2020	2025	2030	Growth Rate
USA	9899	14587	15948	17436	19062	20841	1.8
Japan	6667	5459	5709	5970	6244	6530	0.9
China	1198	5927	9897	16527	27600	46089	10.8
UK	1477	2262	2473	2703	2956	3231	1.8
Germany	1886	3280	3447	3623	3808	4002	1
India	460	1727	2538	3729	5479	8050	8
Pakistan	74	177	227	349	537	827	9
Bangladesh	47.1	100	134	178	237	316	5.9

Trends of Economic Growth (GDP/ Billion US $)
Based on historical rate of growth 2000-10

Country	2000	2010	2015	2020	2025	2030	Growth Rate
USA	9899	14587	15948	17436	19062	20841	1.8
Japan	6667	5459	5709	5970	6244	6530	0.9
China	1198	5927	9897	16527	27600	46089	10.8
UK	1477	2262	2473	2703	2956	3231	1.8
Germany	1886	3280	3447	3623	3808	4002	1
India	460	1727	2538	3729	5479	8050	8
Pakistan	74	177	227	291	373	478	5.1
Bangladesh	47.1	100	134	178	237	316	5.9

Trends in Per Capita Income

(Who will overtake to whom pre CPEC Scenario?)



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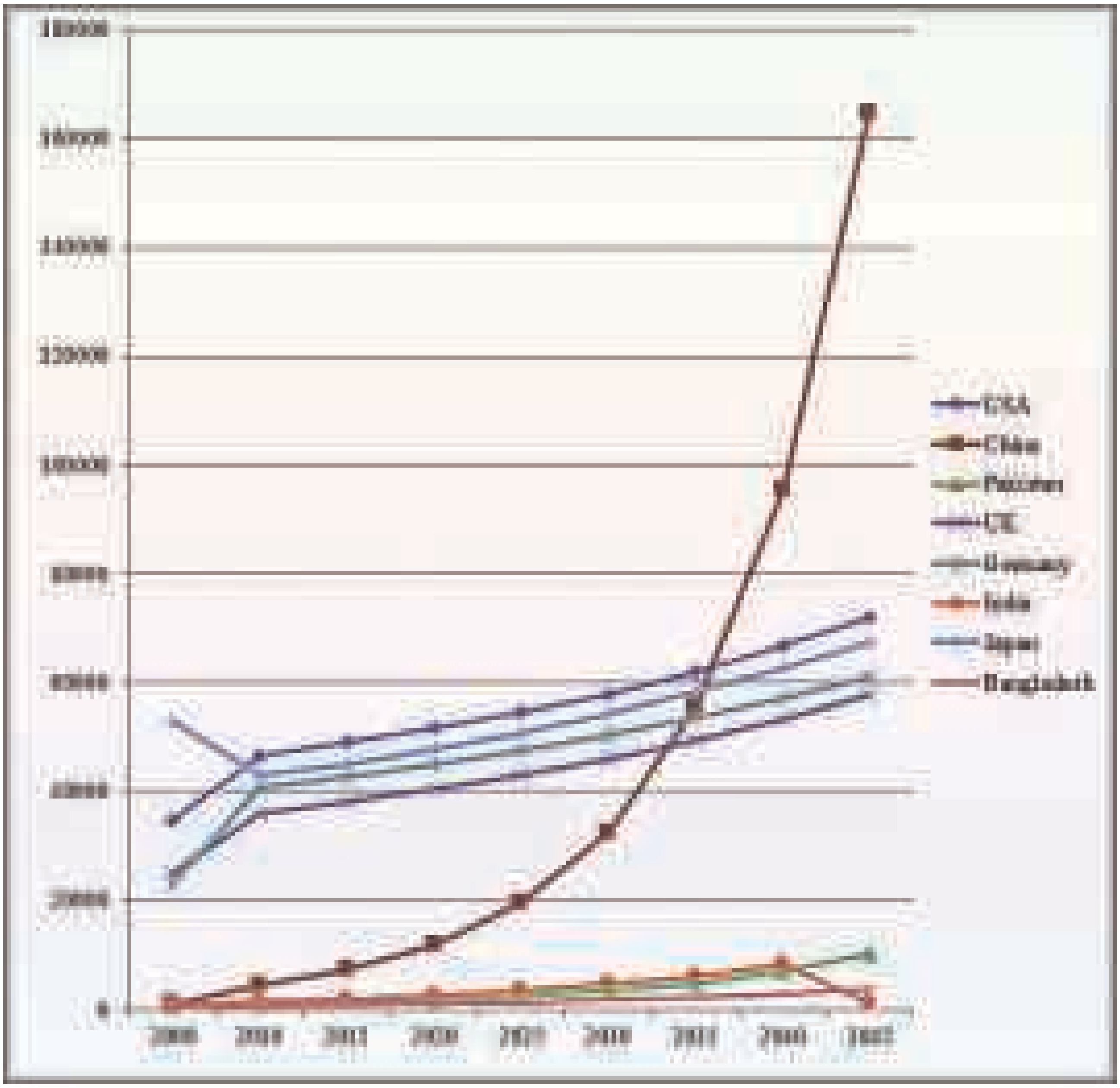


1.5. China at Present: Economic and Political Overview:

For centuries China stood as a leading economy of the world placed at 1st or 2nd rank but in the 19th and early 20th centuries, the country was beset by civil unrest, major famines, military defeats, and foreign occupation. After World War II, the communists established socialist government. Since 1990s the political leaders have diverted their focus on market-oriented economic development yet political controls remain tight. Since the early 1990s, China has increased its global outreach and participation in international organizations. Now it is participant in more than 70 International Organizations.

The total area of the country is 9.6 million sq. km with 22457 kilometer land boundaries.

Afghanistan, Bhutan, Burma, India, Kazakhstan, North Korea, Kyrgyzstan, Laos, Mongolia, Nepal, Pakistan, Russia, Tajikistan and Vietnam are the neighboring Countries of China.

Land Usage

Sectors	%
Agricultural land	55
Forest	22
Other	33

Administratively China is divided into 23 Provinces, 5 Autonomous region and 4 Municipalities.

Core, Iron Ore, Petroleum, Natural Gas, Mercury, Tin, Tungsten, Antimony, Manganese, Molybdenum, Vanadium, Magnetite, Aluminum, Lead, Zinc, Rare earth metals, Uranium, Hydropower Potential and Arable land are the main Natural Resources available in China.

Administrative Regions

Provinces	Autonomous Region	Municipalities
Anhui, Fujian, Gansu, Guangdong, Guizhou, Hainan, Hebei, Heilongjiang, Henan, Hubei, Hunan, Jiangsu, Jiangxi, Jilin, Liaoning, Qinghai, Shaanxi, Shanding, Shanxi, Sichuan, Yunnan, Zhejiang,	Guangxi, Nei Mongol (inner Mongolia, Ningxia, Xinjiang Uygur, Xizang(Tibet)	Beijing, Chongqing, Shanghai, Tianjin
*Special administrative regions of Hong Kong and Macau		
**China considers Taiwan its 23rd province		

International Organizations Participation

S. No.	International Organization Participation	S. No.	International Organization Participation
1	ADB	38	ITSO
2	AFDB (Non regional member)	39	ITU
3	APEC	40	LAIA(Observer)
4	Arctic Council (Observer)	41	MIGA
5	ARF	42	MINURSO
6	ASEAN (Dialogue Partner)	43	MINUSMA
7	BIS	44	NAM(Observer)
8	BIRCS	45	NSG
9	CDB	46	OAS(observer)
10	CICA	47	OPCE
11	EAS	48	Pacific Alliance(Observer)
12	FAO	49	PCA
13	FATF	50	PIF(Partner)
14	G-20	51	SAARC(Observer)
15	G-24 (Observer)	52	SCO
16	G-5	53	SICA(Observer)
17	G-77	54	UN
18	IADB	55	UNAMID
19	IAEA	56	UNCTAD
20	IBRD	57	UNESCO
21	ICAO	58	UNFICYP
22	ICC(National Committees)	59	UNHCR
23	ICRM	60	UNIDO
24	IDA	61	UNIFIL
25	IFAD	62	UNMIL
26	IFC	63	UNMISS
27	IFRCS	64	UNOCI
28	IHO	65	UNSC (Permanent)
29	ILO	66	UNTSO
30	IMF	67	UNWTO
31	IMO	68	UPU
32	IMSO	69	WCO
33	Interpol	70	WHO
34	IOC	71	WIPO
35	IOM (Observer)	72	WMO
36	IPU	73	WTO
37	ISO	74	ZC

1.6. Population Dynamics and Religious & Ethnic Significance in Chinese Society

According to the 2016 estimates China Population is more than 1.3 Billion which is the highest rank in the world. In October 2015, the Chinese Government announced that it would change its rules to allow all couples to have two children instead of just one, as mandated in 1979. The new policy - to be officially adopted in March 2016 - is being implemented to address China's rapidly aging population and economic needs.

Religions in China

Religions	%
Unaffiliated	52
Folk religion	22
Christian	5
Muslim	2
Others (Hindu, Jewish, Daoist)	1

Population Distribution in China

	%
Han Chinese	92
Zhuang	1
Other	7

Age Structure in China

Years	%
0-14	17
15-24	14
25-54	48
55-64	11
65-over	10

Population Pyramid

Net migration rate:	(-0.44) migrant(s)/1,000 population
Urban population % of total population	55.6
Sex ratio	1.06 male(s)/female
Life expectancy at birth:	75.41 years

Islam traditionally dates back to a diplomatic mission in 651, eighteen years after Muhammad' (PBUH)'s death, led by Saad bin Abi Waqqas. Emperor Gaozong is said to have shown esteem for Islam and established the Huaisheng Mosque, or Memorial Mosque, in memory of the Prophet.

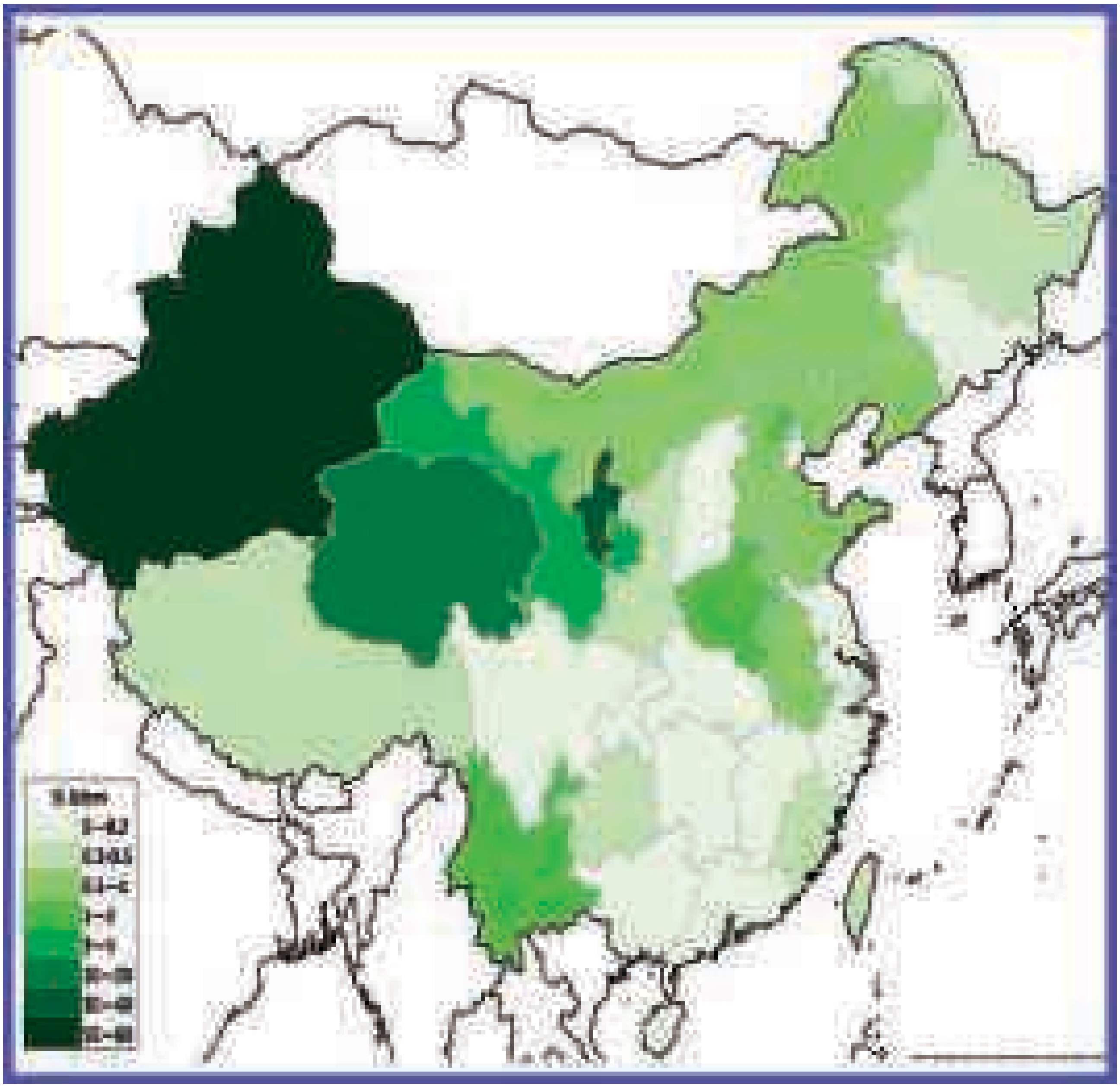
Muslims went to China to trade and virtually dominated the import and export industry by the time of the Song dynasty (10-12 Century), with the office of Director General of shipping consistently being held by a Muslim. Immigration increased when hundreds of thousands of Muslims were relocated to help administer China during the Yuan dynasty (13th to 14th Century).

During the Ming dynasty (14th to 15th Century), Muslims continued to have an influence among the high classes. Zhu Yuanzhang's most trusted generals were Muslim, including Lan Yu, who led a decisive victory over the Mongols, effectively ending the Mongol dream to re-conquer China. Zheng He led seven expeditions to the Indian Ocean. The Hongwu Emperor composed the hundred-word eulogy in praise of Muhammad (PBUH). Muslims who were descended from earlier immigrants began to assimilate by speaking Chinese dialects and by adopting Chinese names and culture. They developed their own cuisine, architecture, martial arts and calligraphy. This era, sometimes considered the Golden Age of Islam in China also saw Nanjing become an important center of Islamic study.

In the 1920s the provinces of Qinhai, Gansu and Ningxia came under the control of Muslim Governors/War lords known as the Ma clique, who served as generals in the National Revolutionary Army. However during Maoist rule, in the Cultural Revolution, mosques were often defaced destroyed or closed and copies of the Quran were destroyed by the Red Guards.

Today Islam is experiencing a revival. There is an upsurge in Islamic expression and many nationwide Islamic associations have organized to co-ordinate inter-ethnic activities among Muslims. Muslims are found in every province in China, but they constitute a majority only in Xinjiang, and a large amount of the population in Ningxia and Qinghai. Of China's recognized ethnic minorities, ten groups are predominantly Muslim. Accurate statistics on China's current Muslim population are hard to find; various surveys have found that they constitute 1-2% of the population of China, or between 20 and 30 million people. They are served by 35,000 to 45,000 mosques, and 10 Quranic institutions.

Muslim Population in China



1.7. International Issues and Disputes:

Chinese maps show an international boundary symbol off the coasts of the littoral states of the South China Seas, where China has interrupted Vietnamese hydrocarbon exploration; China asserts sovereignty over Scarborough Reef along with the Philippines and Taiwan, and over the Spratly Islands together with Malaysia, the Philippines, Taiwan, Vietnam, and Brunei; the 2002 Declaration on the Conduct of Parties in the South China Sea eased tensions in the Spratlys but is not the legally binding code of conduct sought by some parties; Vietnam and China continue to expand construction of facilities in the Spratlys and in March 2005, the national oil companies of China, the Philippines, and Vietnam signed a joint accord on marine seismic activities in the Spratly Islands; China occupies some of the Paracel Islands also claimed by Vietnam and Taiwan; the Japanese-administered Senkaku Islands are also claimed by China and Taiwan; certain islands in the Yalu and Tumen rivers are in dispute with North Korea; North Korea and China seek to stem illegal migration to China by North Koreans, fleeing privations and oppression, by building a fence along portions of the border and imprisoning North Koreans deported by China; China and Russia have demarcated the once disputed islands at the Amur and Ussuri confluence and in the Argun River in accordance with their 2004 Agreement.

China and Tajikistan have begun demarcating the revised boundary agreed to in the delimitation of 2002; the decade-long demarcation of the China-Vietnam land boundary was completed in 2009. China has reconsidered construction of 13 dams on the Salween River, but energy-starved Burma, with backing from Thailand, remains intent on building five hydro-electric dams downstream despite regional and international protests Chinese and Hong Kong authorities met in March 2008 to resolve ownership and use of lands recovered in Shenzhen River channelization, including 96-hectare Lok Ma Chau Loop

Continuing talks and confidence-building measures work toward reducing tensions over Kashmir that nonetheless remains militarized with portions under the de facto administration of China (Aksai Chin), India (Jammu and Kashmir), and Pakistan (Azad Kashmir and Northern Areas); India does not recognize Pakistan's ceding historic Kashmir lands to China in 1964; China and India continue their security and foreign policy dialogue started in 2005 related to the dispute over most of their rugged, militarized boundary, regional nuclear proliferation, and other matters; China claims most of India's Arunachal Pradesh to the base of the Himalayas; lacking any treaty describing the boundary, Bhutan and China continue negotiations to establish a common boundary alignment to resolve territorial disputes arising from substantial cartographic discrepancies, the largest of which lie in Bhutan's northwest and along the Chumbi salient; Burmese forces attempting to dig in to the largely autonomous Shan State to rout local militias tied to the drug trade, prompts local residents to periodically flee into neighboring Yunnan Province in China. The most recent issues belong to the construction of big dams at Brahmaputra River which may creates shortage of river water in eastern provinces of India and Bangladesh. The most severe dispute of China is the recognition of Taiwan as part of China; Pakistan support China continuously on this issue.

1.8. China–Pakistan Relations:

In the political scenario it is a known fact that China always supported Pakistan at economic, political and diplomatic fronts. From Right Wing (Capitalism) Pakistan International Airline was the only Airline which was allowed to fly and land in China. Pakistan had played the key role in establishing diplomatic relations between USA and China.

There is a big global change in the international relations among the countries after the fall of cold war regime. However, there is no diversion in the relations of China and Pakistan and further strengthen may be observed. China has also a favorable policy for other Muslim countries, though no apparent reason is available for this sustainable and deep rooted support. Pakistan has served as China's main bridge between Muslim countries. Pakistan also played an important role in bridging the communication gap between China and the West by facilitating the 1972 Nixon visit to China. The political principle of the "Enemy of my Enemy is my friend and Friend of my Enemy is my Enemy" is applicable also in determination of the nexus between India, Pakistan, China and the United States. The strange relations between Pakistan and India, and several disputes between China and India have pushed India to join the United States club of political economy in post-Soviet regime, though sustainability of an alliance outside the region is questionable, which deny all the models of sustainable political development. Indian history has always been favoring the economic and political relations with the long rooted neighboring countries- particularly China and Central Asia.

Other than strong historical relation between China and Pakistan and the China's diplomatic support to Pakistan on Kashmir Issue, the present global scenario pushed Pakistan to establish strongest relation with China. Sixty year cold war and tension with India, Afghanistan support to India in recent years, strategic agreements between USA and India have created an environment where Pakistan has no option except to establish sustainable and strong economic and strategic relations with China.

Pakistan was among the first countries to end official diplomatic relations with Taiwan and recognize the PRC. Since then, both countries have placed considerable importance on the maintenance of an extremely close and supportive relationship and the two countries have regularly exchanged high-level visits resulting in a variety of agreements. The PRC has provided economic, military and technical assistance to Pakistan and each considers the other a close strategically.

Bilateral relations have evolved from an initial Chinese policy of neutrality to a partnership with a smaller but militarily powerful Pakistan. Diplomatic relations were established in 1950, military assistance began in 1966, a strategic alliance was formed in 1972 and economic co-operation began in 1979. China has become Pakistan's largest supplier of arms and its third-largest trading partner. Recently, both nations have decided to cooperate in improving Pakistan's civil nuclear power sector.

According to Pew Research Center in 2014, Pakistanis have the most favorable view of China after China itself. Maintaining close relations with China is a central part of Pakistan's foreign policy. In addition, Pakistan was one of only two countries, alongside Cuba, to offer crucial support for the PRC in after the Tiananmen protests of 1989. China and Pakistan also share close military relations, with China supplying a range of modern armaments to the Pakistani defense forces. China supports Pakistan's stance on Kashmir while Pakistan supports China on the issues of Xinjiang, Tibet, and Taiwan. Military cooperation has deepened with joint projects producing armaments ranging from fighter jets to guided missile frigates.

The relations between Pakistan and China have been described by Pakistan's ambassador to China as higher than the mountains, deeper than the oceans, stronger than steel, dearer than eyesight, sweeter than honey, and so on. According to Stockholm International Peace Research Institute Pakistan is China's biggest arms buyer, counting for nearly 47% of Chinese arms exports. According to a 2014 BBC World Service Poll, 75% of Pakistanis view China's influence positively with only 15% expressing a negative view. In the Asia Pacific region, Chinese people hold third most positive opinions of Pakistan's influence in the world, behind Indonesia and Pakistan itself.

Trade between Pakistan and China has increased rapidly after the free trade agreement in 2007. Among other things, China has been helping to develop Pakistan's infrastructure through the building of power plants, roads and communication nodes.

The economic relationship between Pakistan and China is composed primarily of Chinese investment in Pakistani interests. China's increasing economic clout has enabled a wide variety of projects to be sponsored in Pakistan through Chinese credit. Pakistani investment in China is also encouraged and cross-border trade remains fluid. China Mobile announced $ 1 billion of investment in Pakistan in telecommunication infrastructure and training of its officials The announcement came a day after China Mobile subsidiary Zong emerged as the highest bidder in the 3G auction, claiming a 10 MHz 3G band license, qualifying for the 4G license.

China released its first overseas investment project under the One Belt, One Road for developing a hydropower station near Jhelum.

History of Pak China Relations Years Events

Years	Events
1950	Pakistan becomes the third non-communist country, and first Muslim one, to recognize the People's Republic of China.
1951	Beijing and Karachi establish diplomatic relations.
1963	Pakistan cedes the Trans-Karakoram Tract to China, ending border disputes.
1970	Pakistan helps the U.S. arrange the 1972 Nixon visit to China.
1978	The Karakoram Highway linking the mountainous Northern Pakistan with Western China officially opens.
1980	China and the U.S. provide support through Pakistan to the Afghan guerillas fighting Soviet forces.
1986	China and Pakistan reach a comprehensive nuclear co-operation agreement.
1996	Chinese President Jiang Zemin pays a state visit to Pakistan.
1999	A 300-megawatt nuclear power plant, built with Chinese help in Punjab province, is completed.
2001	A joint-ventured Chinese-Pakistani tank, the MBT-2000 (Al-Khalid) MBT is completed.
2002	The building of the Gwadar deep sea port begins, with China as the primary investor
2003	Pakistan and China signed a $110 million contract for the construction of a housing project on Multan Road in Lahore.
2007	The Sino-Pakistani joint-ventured multirole fighter aircraft – the JF-17 Thunder (FC-1 Fierce Dragon) is formally rolled out.
2008	Pakistan welcomes the Chinese Olympic Torch in an Islamabad sports stadium, under heavy guard amidst security concerns.
2008	China and Pakistan sign a free trade agreement.
2008	Pakistan and China to build a railway through the Karakoram Highway, in order to link China's rail network to Gwadar Port.
2008	The F-22P frigate, comes into service with the Pakistani Navy.
2009	The ISI arrest several suspected Uyghur terrorists seeking refuge in Pakistan.
2010	Pakistan and China conduct a joint anti-terrorism drill.
2010	China donates $260 million in dollars to flood hit Pakistan and sends 4 military rescue helicopters to assist in rescue operations.

Years	Events
2010	WenJiabao visits Pakistan. More than 30 billion dollars worth of deals were signed.
2011	Pakistan is expected to buy air-to-air SD 10 missiles from China for its 250 JF 17 thunder fighter fleet.
	2013Management of Gwadar port is handed over to state-run Chinese Overseas Port Holdings after previously being managed by Singapore's PSA International,[58] and it becomes a matter of great concern for India.
2013	Chinese Premier Li Keqiang visits Pakistan. Trade between China and Pakistan hit a 12-month figure of $12 billion for the first time in 2012.
2013	On 5 July 2013, Pakistan and China approved the China-Pak Economic corridor which will link Pakistan's Gwadar Port on the Arabian Sea and Kashghar in Xinjiangin northwest China. The $18 billion project will also include the construction of a 200km-long tunnel.
2013	On 24 December 2013, China announced a commitment $6.5 billion to finance the construction of a major nuclear power project in Karachi, the project which will have two reactors with a capacity of 1,100 megawatts each
2014	Chinese Premier announced investment of $31.5 billion in Pakistan mainly in countries energy, infrastructure and port expansion for Gwadar. According to The Express Tribune initially projects worth $15–20 billion will be started which include Lahore-Karachi motorway, Gwadar Port expansion and energy sector projects will be launched in Gaddani and six coal projects near Thar coalfield. The newspaper further claimed that the government has also handed over to Pakistan Army the task of providing fool-proof security to Chinese officials in Baluchistan, Pakistan in a bid to address Beijing's concerns and execute the investment plan in the province, which will get 38% of the funds.
2014	On 22 May 2014, The governments of Pakistan and China on Thursday signed an agreement to start a metro train project in Lahore, Express News reported. The 27.1 kilometers long track – named Orange Line – will be built at the cost of $1.27 billion.
2014	On 8 November 2014, Pakistan and China signed 19 agreements particularly relating to China–Pakistan Economic Corridor, China pledged a total investment worth of $42 billion. While Pakistan pledged to help China in its fight concerning the Xinjiang conflict.
2015	On 20 April 2015, Chinese President Xi Jinping, accompanied by the First Lady and a delegation of high-level officials and businessmen, visits Pakistan. It is the first visit to Pakistan by a Chinese president after a gap of 9 years and the first foreign trip of Xi in 2015. 51 Memorandums of Understanding are signed, including the plan of "Pakistan China Economic Corridor".
2015	Pakistan began circulating the Rs. 20 coin with the Pakistan and China flags to commemorate the countries' lasting friendship.

1.9. CPEC: A Game Assessed by Third Parties

The CPEC has been termed as a strategic initiative. It initiates from a deep sea port city Gwadar Pakistan and lead all the way to the Chinese historic western city of Kashgar near Tajikistan and Kyrgyzstan borders. Pakistan shall cater to the landlocked Afghanistan, Central Asia and west part of China. High speed trains, adjacent major cities and economic zones, power plants, dry ports, water treatment facilities, the prospective oil and gas pipelines from Iran to China, the mineral deposits areas, availability of cheap labor, big markets with growing demand, and good climatic conditions are the ingredients of CPEC.

CPEC has become extremely important for Pakistan as it has been recognized by its policy makers as the “only” source to accelerate economic growth in the shortest time. World Bank has indicated that poor availability of electricity is a main constraint to economic growth and investment in Pakistan, while it is a general perception that Pakistan's electricity shortage is a major hindrance to foreign investment. The Chinese investments in Pakistani infrastructure and power projects will lead to break the vicious cycle and accelerate the growth and investment in various sectors including construction, steel, cement, chemical, mining, food, tourism, transportation and banking and finance etc. The "Early Harvests" projects in CPEC are expected to resolve shortages in power generation by 2018 by increasing Pakistan's power generation capacity by over 10,000 megawatts. As a result of improved infrastructure and energy supplies, it is expected that economic growth rates will reach at 7 percent by 2018.

Moody's Investors Service has described CPEC as a "credit positive" for Pakistan. According to the Asian Development Bank, "CPEC will connect economic agents along a defined geography. It will provide connection between economic nodes or hubs, centered on urban landscapes, in which large amount of economic resources and actors are concentrated. They link the supply and demand sides of markets”.

1.10. Multi-Dimensional Importance for China:

The CPEC alignments will improve connectivity to disturbed Xinjiang in China by improving its potential to attract public and private investment. The CPEC projects will also complement China's Western Development plan, which includes not only Xinjiang, but also the neighboring regions of Tibet and Qinghai.

On geopolitical front, China's stake in Gwadar will allow it to expand its role in the Indian Ocean, a vital route for oil transportation between the Atlantic and the Pacific. According to Chinese Foreign Ministry Spokesperson Hua Chunying, the corridor will "serve as a driver for connectivity between South Asia and East Asia."Another advantage to China is that it will be able to bypass the Strait of Malacca. Sixty percent of China's imported oil comes from the Middle East, and eighty percent of that is transported to China through this dangerous strait because of piracy-rife.

The influence and role of terrorist groups and organization cannot be ignored in the development and progress of CPEC. China has expressed concern that some separatist groups in Xinjiang may be collaborating with insurgents in Pakistan, and has expressed a desire to strengthen security ties. Tehrik-i-Taliban has claimed responsibility for past attacks on some Chinese nationals. Other terrorist organizations operate in Baluchistan, including Jundallah, which have carried out various bombings. The terror groups are reportedly backed by India.

The Muslim population in Sinkiang, Chinese province has closer linkages with the central Asian states, in terms of culture, religion and language. Though, apparently it seems that free movement of the peoples to and from China to these countries can create administrative issues for China. However, in the context of extremists demand for the separation of Muslim majority areas from China (Known as Eastern Turkistan), it is possible to eliminate the justification for a separation.

Free mobility and permission of the linkages between the peoples of same culture and religion will not support the separation movements; it eliminates the need of separation.

It is quite understandable that relations among the people and across the boarder mobilization and interactions lead always the enhancement in cooperation and understandings; it accelerates the cultural adoptability and transformation.

Despite the similarities between the Muslim populations on both sides the boarders’ weather and geographical constraints have been playing important role in the longer disintegration. The present closure of Khunjrab boarder for 5 months (December to April) reflects the severity of this barrier.

1.11. Indian Criticism and Role of Afghanistan:

According to Indian daily, First Post (22ndApril, 2015), “CPEC will be a strategic game changer in the region, which would go a long way in making Pakistan a richer and stronger entity than ever before. The Government of India thinks that a portion of the CPEC passes through disputed territory. In fact no portion of CPEC passes through any disputed territory. It passes through Gilgit-Biltistan which is the part of Pakistan since 1947. India alleged that China and Pakistan intended to develop the corridor not just for its economic benefits, but also is motivated by the "strategic intent of besieging India,”

Federation of Indian Chambers of Commerce and Industry (FICCI) had released a report in 2009. The report was prepared by its task force on ‘National Security and Terrorism’. Red and green flags have been shown in the abstract form on the top of 118 pages of the report. These red and green flags indicate the security risk to India because of China and Pakistan. The report highlights that in the backward tribal regions of Andhra Pradesh, Bihar, Chhattisgar, MP and Orissa the Maoist insurgents have expanded their hold exploiting the long-standing and unattended grievances of tribal population and landless poor. In these parts, social security mechanisms are absent and the Maoists have tried to exploit such gaps to increase their influence by its contents, approach, language and suggestions it cannot be considered as a piece of research or economic analysis, it seems the views and opinion of the extremists bias. The recommendations of the FICCI’s Task Force discuss the various options available to Indian policy makers. At the first stage, report recommends the hard options such as economic embargo to surgical strikes and an all-out war etc. A set of soft options such as sharing intelligence, improving military-to-military relations and better cultural ties has been recommended at the second stage. No need to mention that this pattern of recommendations is not only against the principles of diplomacy; it is against the morality and ethics of peace dialogues. The Task Force is convinced that Pakistan has to make a clean break from its existing state policy of supporting terrorism. It suggests to “inflict economic pain” on Pakistan at the initial stage of recommended policy implementation. It suggests stopping all imports from Pakistan, banning over flight by Pakistani airlines and significantly restricting travel between the two countries. According to FICCI’s assessment, Pakistan will react but the pain will be asymmetrically more for Pakistan. It recommends also surgical strikes in Pakistan, particularly at “Pakistan Occupied Kashmir terror camps”. It was presumed in the report that India knows with reasonable certainty where these terror camps are. Furthermore, it was also suggested that Indian Government should prepare to deal with international disapproval and more importantly prepare for escalation of war with Pakistan. According to the report, the Indus Water Treaty is highly tilted in favor of Pakistan. Water is a very serious issue for Pakistan, while India can seriously pressurize Pakistan through control over water for its irrigation and power.

The strangest aspect of this story is not the strange recommendations against Pakistan; **the strangest thing is that such measures have been recommended by the “Federation of Indian Chambers of Commerce and Industry (FICCI)” which is the apex trade body in India**, while trade bodies are considered the merchants of peace. They want to enhance economic business activities by creating peace in the region. It is further surprised that the same type of suggestions has been recommended by the leading Indian academicians and think tanks also. The steps which have been taken by India Government in recent past seem the implementation of FICCI's recommendation in 2009

CPEC may connect Pakistan with Central Asian States without passing through Afghanistan. Though 'Pak-Afghan Transit Trade Agreement of 2010'has provided Pakistan access to Central Asia via Afghanistan, however, the full agreement has yet to be fully implemented. The Transit Trade Agreement provides Afghanistan access to the Port of Karachi to conduct trade with India, and allows Afghan goods to be transited up to any border of Pakistan, but does not guarantee Afghan trucks the right to cross the Wagah Border (land route to India through Pakistan). Due to continued tensions between India and Pakistan, the Pakistani government expressed reluctance to include India in any trade negotiations with Afghanistan, while Afghan President Ashraf Ghani visited India in April 2015 where he stated "We will not provide equal transit access to Central Asia for Pakistani trucks" unless the Pakistani government included India as part of the 2010 Pak-Afghan Transit Trade Agreement. As a result, little progress was made between the Afghan and Pakistani sides.

CPEC along with the "Quadrilateral Agreement on Traffic in Transit" (QATT) facilitate Pakistan to trade with Central Asian states without passing through Afghanistan. QATT was first devised in 1995, and signed in 2004 by the governments of China, Pakistan, Kazakhstan, and Kyrgyzstan to facilitate transit trade between the various countries, with no inclusion of Afghanistan. Despite signing of the QATT, the agreements full potential was never realized, largely on account of poor infrastructure links between the four countries prior to the announcement of CPEC. Now CPEC will provide a feasible mechanism for its implementation. **In February 2016, the Pakistani government signaled its intention to completely by pass Afghanistan in its quest to access Central Asia by announcing its intent to revive the QATT so that Central Asian states could access Pakistani ports via Kashgar instead of Afghanistan.**

The heads of various Central Asian republics have expressed their desire to connect their infrastructure networks to the CPEC project via China. China and Almaty (Kazakhstan) has also been completed as part of China's One Belt One Road (OBOR) initiative. Numerous land crossings already exist between Kazakhstan and China. Additionally, the Chinese government has announced plans to lay railway track from Tashkent (Uzbekistan), towards Kyrgyzstan with onwards connections to China and Pakistan. Further, the Pamir Highway already provides Tajikistan access to Kashgar via the Kulma Pass. These crossings complement the CPEC project to provide Central Asian states access to Pakistan's deep water ports by completely by passing Afghanistan.

According to Pakistani leadership CPEC is a manifestation of the commitment of the leadership of China and Pakistan to work together for the mutual benefit of their people and peace, prosperity and socio-economic betterment of the region. While, Indian Prime Minister has quoted that the CPEC is unacceptable to India because it would pass through Kashmir. Pakistan has severely criticized India for opposing the China-Pakistan Economic Corridor (CPEC) project, by stating that India's reaction and outburst on the CPEC project has exposed its real face before the world. Indian leadership is not happy to see Pakistan prosper.

Adviser to Prime Minister on National Security and Foreign Affairs Sartaj Aziz has also stated that criticism and concern expressed by India over the CPEC project is not acceptable. He indicated that the project is all about regional connectivity and economic development and prosperity of the common people of the entire region. There is a dichotomy in the Indian statements on their pronouncements on the importance of the regional connectivity for development and their negative comments about the CPEC. Pakistan has maintained a policy of non-interference in other countries' bilateral relations and expected the same from others.

It was noted by the leading media sources that few international players hostile to the China Pakistan Economic Corridor; India stands out as the most active. There are several evidences that India has involved its intelligence agencies to sabotage CPEC, mainly by generating anti-CPEC feelings among some residents of Balochistan. Army Chief General Raheel Sharif clearly indicated, "I would like to make a special reference to Indian intelligence agency RAW that is blatantly involved in destabilizing Pakistan". He has asked the people of the province to "leave behind confrontation and focus on cooperation". At stake is the territorial integrity of the state of Pakistan, which cannot be held hostage to some kind of political engineering - though sincere but always futile. **The CPEC is a corridor of peace and prosperity not only for the people of Pakistan and China but also for the region and beyond.**

India does not like the powerful existence of China in Indian Ocean and for this purpose he is trying to get cooperation from USA. India and USA have "agreed to strengthen cooperation in the area of maritime security". Under a joint statement released in New Delhi after talks the visiting US Secretary of Defense Ashton Carter they "reaffirmed the importance of safeguarding maritime security and ensuring freedom of navigation and over flight throughout the region, including in the South China Sea". It is obvious that Pakistan will expect the US government to come clean on what it means by ensuring maritime security in the India Ocean region.

It is notable that Asian Development Bank and United Kingdom have financed some components of CPEC while investors from European Union, Korea, Japan and the United States have shown their interests in the various project and businesses in Pakistan. The investment of by USA and its associates may an effort to minimize the dependency of Pakistan on China, as greater China may be a strategic challenge for Western world. The present Indo-US relations in Chinese neighborhood may be in the interest of United State.

1.12. Greater Participation and Prosperity for All:

There are several intuitive regarding the international conflicts and power games to capture the benefits from the natural and geographical resources of Central Asian States. China, Russia, USA, Pakistan and India may be part of this conflicting game. **It was recommended by FPCCI that Pakistan should adopt an openness policy for entire world and should encourage all countries to join hands in the growing businesses for mutual economic interests.**

The Economic Cooperation Organization (ECO) consisting of Pakistan, Iran and Turkey ECO has 6 strategic ports i.e. Mersin & Istanbul of Turkey, Chabahar & Bandar Abbas in Iran and Karachi & Gwadar in Pakistan. Gwadar is ideally located and is Deep Sea Port. The Iranian Port of Chabahar & Gwadar can augment & complement each other rather than competing against each other.

1.13. World Peace through World Trade:

World economic history reveals that the construction and development of corridors does not provide a source of dramatic change in the economic ranking of host countries though it provide a catalyst for economic and social prosperity to the peoples of host country. Such corridors provide an environment to the local population for easy and rapid globalization and cultural advancement by interaction with the peoples of different culture and societies. The corridors provide a source of construction and establishing of cosmopolitan cities and societies. They do not lead to clashes; they assist the harmonization and cultural transformations. The construction of Suez and Panama canals and free ports of Dubai, Singapore, Doha and Hong Kong are the examples to provide economic connectivity through canals, sea, and air linkages. CPEC will be a greater example of such corridors.

Changing in Development Patterns of Cities and Urbanization in Pakistan: Implications of CPEC

2.1. Origin of Route Controversies:

China-Pakistan Economic Corridor (CPEC) has been warmly welcomed by significant majority of Pakistani statesmen and analysts by considering it as an accelerator of economic growth, as a source of Inter-Provincial linkages & Connectivity, a source of development of badly required Infrastructure in Pakistan, and a 'Game Changer' in the patterns of regional development ranking. Pakistan estimates the corridor project will create some 700,000 direct jobs between 2015–2030 and add up to 2.5 percentage points to the country's growth rate.

However, there are at least six hypotheses which have been publically debated and created the smoke. One of these hypotheses is that the corridor will lead the change in the patterns of industrial and commercial development in Pakistan by means of the new growth centers and urbanization drive in Pakistan. The cities adjacent to the corridor and the proposed economic zones will gain the values. Consequently the development ranking of the cities in Pakistan will be changed which will affect the comparative prices of the properties and investment in real estates in the country. The new industrialized cities and commercial centers will generate the additional capacities for employment creating opportunities also. This view created a 'Western versus Eastern Route' controversy in Pakistan. One of the main objectives of this study is to contemplate these intuitive.

Pakistan Institute of Development Economics (PIDE) Centre of Excellence has presented its report to the Planning Commission of Pakistan on "New Growth Centre & Urbanization Drive along the Corridor". This report discusses the possible changing patterns of ranking of the cities in Pakistan in terms of Economic Development.

According to the official sources of the Ministry of Planning, Development & Reforms and the newspaper reports, there are three routes:

a. Eastern Alignment:

The Eastern Alignment of the CPEC refers to the part of the corridor which lies in the eastern parts of Pakistan. This route will start from M2 Islamabad-Lahore Motorway then partial Roadway infrastructure to be completed as part what is known as the Karachi–Lahore Motorway. The M8 Motorway will eventually span the 892 kilometer distance between Gwadar and the city of Ratodero which is center point of Karachi–Lahore Motorway working as a Junction for roads to both major ports. The 1,152 km long motorway will connect Pakistan's two largest cities by a 4 to 6-lane controlled access highway designed for travel speeds up to 120 kilometers per hour. The entire project will cost approximately $6.6 billion, with the bulk of financing to be distributed by various Chinese state-owned banks.

The entire Eastern Alignment project is divided into four sections: a 136 kilometer long section between Karachi and Hyderabad also known as the M9 Motorway, a 296 kilometer long section between Hyderabad and Sukkur, a 387 kilometer long section between Sukkur and Multan, and a 333 kilometer section between Multan and Lahore via the town of Abdul Hakeem.

b. Western Alignment:

The CPEC project envisages an expanded and upgraded road network in the Pakistani provinces of Baluchistan, Khyber PakhtunKhwa, and western Punjab Province as part of the Western Alignment. The Western Alignment project will result in the upgrading of several hundred kilometer's worth of road into 2 and 4-lane divided highways by mid-2018, with land acquisition sufficient for upgrading parts of the road to a 6-lane motorway in the future. In total, the CPEC project envisages re-construction of 870 kilometers of road in Baluchistan province alone as part of the Western Alignment.

The Western Alignment roadway network will begin at the Barahma Bahtar Interchange on the M1 Motorway near the towns of Burhan and HasanAbdal in northern Punjab province. The Northern Alignment will connect to the Western Alignment at Burhan. From there, a new 285 kilometer long 4-lane dual carriageway will be constructed between Burhan to the town of Yarik, just north of Dera Ismail Khan. The route will transverse the Sindh Sagar Doab region, and cross the Indus River at Mianwali before entering into Khyber Pakhtunkhwa province. Total costs for the project are expected to be $1.05 billion.

At the southern terminus of the new Burhan-Yarik road, the N50 National Highway will also be upgraded between Dera Ismail Khan in Khyber Pakhtunkhwa and Zhob in neighboring Baluchistan province, with eventual reconstruction between Zhob and Quetta. The upgraded roadway will consist of a 4 lane dual-carriageway spanning the 205 kilometer distance between the two cities. The Western Alignment of the CPEC will continue to the town of Surab in central Baluchistan as the N25 National Highway. From Surab, a 470 kilometer long route known as the N85 National Highway will connect central Baluchistan with the town of Hoshab in southwestern Baluchistan province near the city of Turbat. Along the Western Alignment route, the towns of Hoshab and Gwadar are connected by a newly-built 193 kilometer long portion of the M8 Motorway. The Western Alignment will be flanked by special economic zones along its route, with at least seven special economic zones planned to be established in Khyber Pakhtunkhwa.

c. Central Alignment:

Long term plans for a "Central Alignment" of the CPEC comprise of a network of roads which will originate from Gwadar via Basima, Khuzdar, Sukkur, Rajanpur, Layyah, Muzaffargarh, Bhakkar, Mianwali, Attock and Burhan connected to Karakoram Highway.

2.2. Other Roadway Projects Associated with CPEC:

The 184 kilometer long M-4 Motorway between Faisalabad and Multan does not fall under the scope of CPEC projects, but is nevertheless considered vital to the CPEC transportation project. It will instead be financed by the Asian Development Bank and the Asian Infrastructure Investment Bank, with an additional $91 million grant announced in October 2015 by the government of the United Kingdom towards the construction of portion of the M4 Motorway project.

The Karakoram Highway south of the city of Mansehra will also be upgrade into a controlled-access highway to officially be known as the E-35 expressway. While it is considered to be a crucial part of the route between Gwadar and China, the E35 will not be financed by CPEC funds. The project will instead be financed by the Asian Development Bank with a $122 million grant from the United Kingdom towards the project. Once completed, the E35 Expressway, the M4 Motorway, and Karachi-Lahore Motorway will provide continuous high-speed road travel on controlled-access motorways from Mansehra to Karachi 1,550 kilo meters away. Approximately halfway between Zhob and Quetta, the town of Qilla Saifullah in Baluchistan lies at the inter section of the N50 National Highway and the N70 National Highway. The two roads form the 447 kilometer route between Quetta and Multan in southern Punjab. While the N70 project is not officially a part of CPEC, it will connect the CPEC's Western Alignment to the Karachi-Lahore Motorway at Multan.

There are several question marks on the alignment of these routes including Western route's alignment from D.I Khan to Hassan Abdal is not clearly mentioned. However, the route is diverted after D.I Khan to Punjab. In the Central route, alignment from Kundian to Hassan Abdal is not mentioned. Both Western and Central routes after D. I Khan are either meshing or running few kilometers apart from each other.

Some planning aspects and technicalities associated with the route have been criticized in political forums and by the media. The Provincial Assembly of Khyber Pakhtunkhwa province adopted a resolution against the alleged decision of the federal government to change the multi billion route of the proposed project by diverting it away from Khyber Pakhtunkhwa province. It is a common view that the major portion of all the routes is passing through Punjab and other provinces are deprived of the same. None of the route is planned to pass through main land of KPK & FATA.

Following suggestions have been recommended by the CPEC Advisory Committee constituted by FPCCI:

- All entry points emanating from the West should be considered while carefully selecting / planning the routes for link up with China. Land locked CARs have traditionally connected this region through Afghanistan. The alignments of CPEC routes within Pakistan must therefore cater for lateral expansion towards Afghanistan and CARs. Accordingly, Western route should have harbors in KP / FATA.

- Climatic changes have proved that during peak winter season (4 – 6 weeks) areas falling on Eastern route would remain affected for trafficking due to fog and poor visibility.

- Some sources have mentioned that China is developing its Xinjiang province to curb social unrest and extremism. Some segments from Pakistan demanded that the same focus should be maintained in KP & FATA.

Existing / Proposed Economic Zones along CPEC

1. Khyber Pakhtunkhwa:

- Marble and Granite based Industrial Estate at Mansehra – 80 acres.
- Industrial Estate Nowshera
- Expansion of Industrial Estate Hattar
- Industrial Estate at Chitral
- Industrial Estate Ghazi
- Industrial Estate D.I.Khan

2. Punjab:

A. Existing /Under Development

- Multan Industrial Estate Phase-II
- Rahim Yar Khan Industrial Estate
- Bhalwal Industrial Estate

B. Possible Future Industrial Estates

- DG Khan Industrial Estate
- Mianwali Industrial Estate
- Rawalpindi Industrial Estate
- PD Khan Industrial City

3. Gilgit-Baltistan:

- Moqpondass District in Gilgit

4. Balochistan:

- Industrial Estate in Gwadar
- Lasbella Industrial Estate
- Turbat Industrial & Trading Estate
- DeraMurad Jamali Industrial & Trading Estate
- Winder Industrial & Trading Estate (WITE)
- Mini Industrial Estate Khuzdar

5. Sindh:

- Chinese Industrial Zone near Karachi
- Textile City, Port Qasim Karachi•Marble City, Karachi
- Korangi Creek Industrial Park, Karachi
- Bin Qasim Industrial Park
- Kahirpur Special Economic Zone

Distance of Less Developed Districts of Pakistan from China-Pakistan Economic Corridor Route

S. No.	Deprived Districts	Proximity of CPEC Route	Location of CPEC Route	Remarks
DEPRIVED DISTRICTS OF PUNJAB				
1	Layyah	Long Term Alignment	0 Km	Passing Through the District, Most Significant Positive Impact
2	Lodhran	Eastern Alignment	0 Km	Passing Through the District, Most Significant Positive Impact
3	Muzzafargarh	Eastern Alignment	1-25 Km	Significant Positive Impact
4	Rajanpur	Long Term Alignment	0 Km	Passing Through the District, Most Significant Positive Impact
5	Rajanpur	Central Alignment	0 Km	Passing Through the District, Most Significant Positive Impact
DEPRIVED DISTRICTS OF SINDH				
6	Dadu	Eastern Alignment	1-25 Km	Significant Positive Impact
7	Badin	Eastern Alignment	25-50 Km	Moderate Positive Impact
8	Jacobabad	Central Alignment	1-25 Km	Significant Positive Impact
9	Kamber	Eastern Alignment	0 Km	Passing Through the District, Most Significant Positive Impact
10	Kashmore	Central Alignment	0 Km	Passing Through the District, Most Significant Positive Impact
11	Sanghar	Eastern Alignment	1-25 Km	Significant Positive Impact
12	Umerkot	Eastern Alignment	50-200 Km	Less Impact
13	Tharparkar	Eastern Alignment	50-200 Km	Less Impact
DEPRIVED DISTRICTS OF KHYBER PUKHTUN-KHWA				
14	Batagram	Northern Alignment	0 Km	Passing Through the District, Most Significant Positive Impact
15	Buner (Daggar)	Eastern Alignment	1-25 Km	Significant Positive Impact
16	Hangu	Central Alignment	1-25 Km	Significant Positive Impact
17	Karak	Central Alignment	0 Km	Passing Through the District, Most Significant Positive Impact

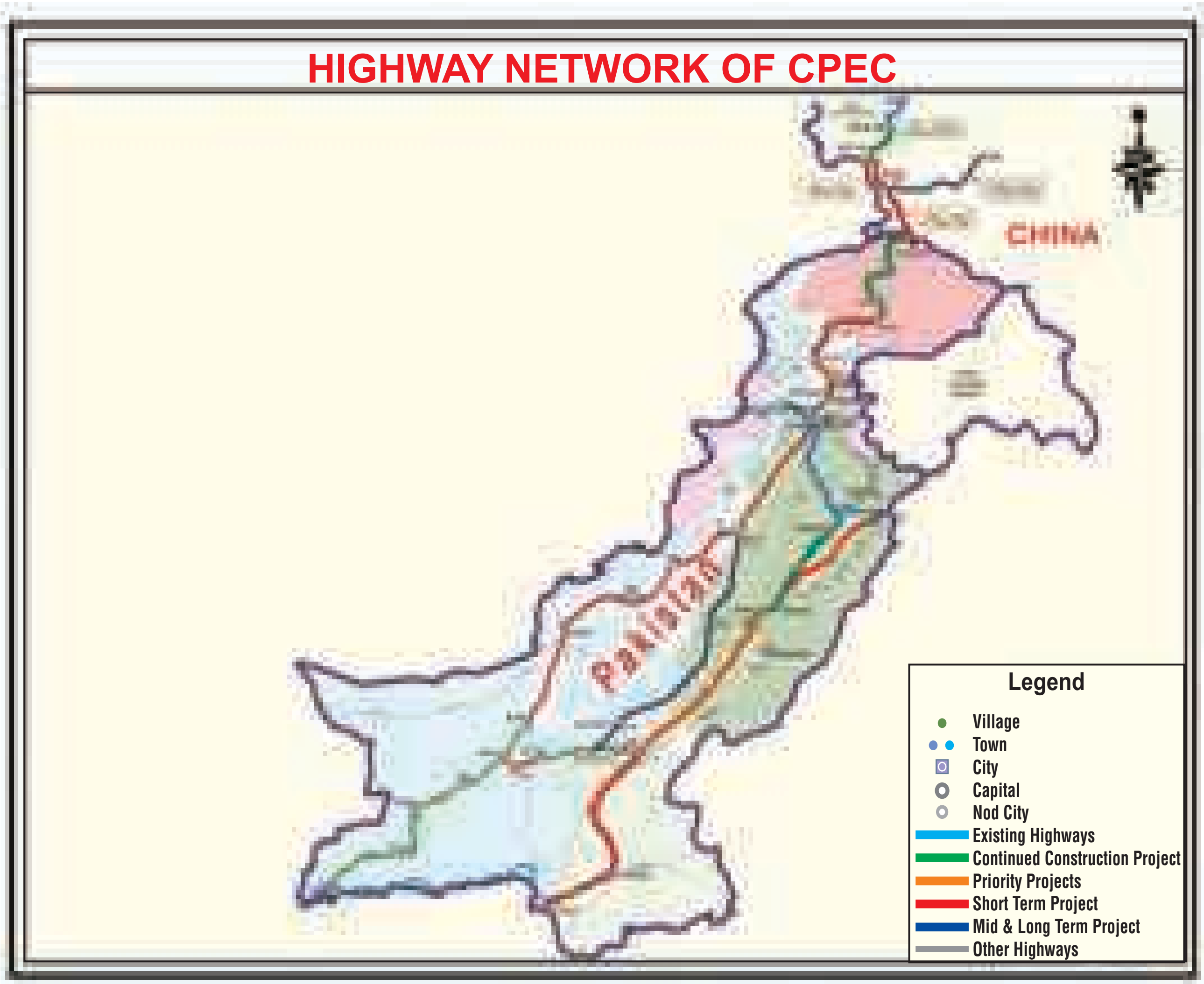
S. No.	Deprived Districts	Proximity of CPEC Route	Location of CPEC Route	Remarks
18	Kohistan	Northern Alignment	0 Km	Passing Through the District, Most Significant Positive Impact
19	Shangla	Northern Alignment	0 Km	Passing Through the District, Most Significant Positive Impact
20	Tank	Central Alignment	0 Km	Passing Through the District, Most Significant Positive Impact
21	Upper Dir	Northern Alignment	50-200 Km	Less Impact

DEPRIVED DISTRICTS OF BALOCHISTAN

22	Jaffarabad	Long Term Alignment	0 Km	Passing Through the District, Most Significant Positive Impact
23	Kharan	Western Alignment	0 Km	Passing Through the District, Most Significant Positive Impact
24	Awaran	Makran Coastal Highway	0 Km	Passing Through the District, Most Significant Positive Impact
25	Barkhan	Long Term Alignment	25-50 Km	Moderate Positive Impact
26	Bolan	Western Alignment	25-50 Km	Moderate Positive Impact
27	Khuzdar	Eastern Alignment	0 Km	Passing Through the District, Most Significant Positive Impact
28	Qila Abdullah	Western Alignment	25-50 Km	Moderate Positive Impact
29	Qila Saifullah	Western Alignment	0 Km	Passing Through the District, Most Significant Positive Impact
30	JhalMagsi	Long Term Alignment	0 Km	Passing Through the District, Most significant positive impact
31	JhalMagsi	Eastern Alignment	0 Km	Passing Through the District, Most Significant Positive Impact
32	Lasbela	Makran Coastal Highway	0 Km	Passing Through the District, Most Significant Positive Impact
33	Loralai	Western Alignment	25-50 Km	Moderate Positive Impact

S. No.	Deprived Districts	Proximity of CPEC Route	Location of CPEC Route	Remarks
34	Mushkhal	Western Alignment	1-25 Km	Significant Positive Impact
35	Naseerabad	Long Term Alignment	0 Km	Passing Through the District, Most Significant Positive Impact
36	Kalat	Western Alignment	0 Km	Passing Through the District, Most Significant Positive Impact
37	Gwadar	Western Alignment	0 Km	Passing Through the District, Most Significant Positive Impact
38	Gwadar	Coastal Highway	0 Km	Passing Through the District, Most Significant Positive Impact
39	Kech	Western Alignment	0 Km	Passing Through the District, Most Significant Positive Impact
40	Nushki	Western Alignment	50-200 Km	Less Impact
41	Mustung	Western Alignment	0 Km	Passing Through the District, Most Significant Positive Impact
42	DeraBughti	Long Term Alignment	0 Km	Passing Through the District, Most Significant Positive Impact
43	Sibbi	Western Alignment	50-200 Km	Less Impact
44	Ziarat	Western Alignment	1-25 Km	Significant Positive Impact
45	Pishin	Western Alignment	0 Km	Passing Through the District, Most Significant Positive Impact
46	Panjgur	Western Alignment	0 Km	Passing Through the District, Most Significant Positive Impact
47	Zhob	Western Alignment	0 Km	Passing Through the District, Most Significant Positive Impact
48	Chagai	Western Alignment	50-200 Km	Less Impact
49	Kohlu	Long Term Alignment	50-200 Km	Less Impact

Controversies over the Eastern VS Western Routes of CPEC



2.3. Infrastructure Development Projects:

The China Pakistan Economic Corridor (CPEC) is a collection of projects currently under construction at a cost of $46 billion which is intended to rapidly expand and upgrade Pakistani infrastructure, as well as deepen and broaden economic links between Pakistan and the People's Republic of China. While economic opportunities and development will largely benefit Pakistan, CPEC's importance to China's geopolitical and economic goals is reflected by the inclusion of the project as part of China's 13thfive-year development plan.

Infrastructure projects under the aegis of CPEC will link the Pakistani city of Gwadar in southwestern to China's northwestern autonomous region of Xinjiang via a vast network of highways and railways. As part of infrastructure projects worth approximately $11 billion, an 1100 kilometer long motorway will be constructed between the cities of Karachi and Lahore, while the Karakoram Highway between Rawalpindi and the Chinese border will be completely reconstructed and overhauled. The Karachi–Peshawar main railway line will also be upgraded to allow for train travel at up to 160 kilometers per hour by December 2019. Pakistan's railway network will also be extended to eventually connect to China's Southern Xinjiang Railway in Kashgar. A network of pipelines to transport liquefied natural gas and oil will also be laid as part of the project, including a $2.5 billion pipeline between Gwadar and Nawabshah to transport gas from Iran.

Over $33 billion worth of energy infrastructure will be constructed by private consortia to help alleviate Pakistan's chronic energy shortages. Over 10400MW of energy generating capacity is to be developed between 2018 and 2020 as part of the corridor's fast-tracked "Early Harvest" projects.

a. Gwadar Port Complex:

Initial infrastructure works at Gwadar Port commenced in 2002 and were completed in 2007, however plans to upgrade and expand Gwadar's port stalled. Under CPEC agreement, Gwadar Port will initially be expanded and upgraded to allow for docking of larger ships with deadweight tonnage of up to 70,000. Improvement plans also include construction of$130 million breakwater around the port, as well as the construction of a floating liquefied natural gas facility that will have a capacity of 500 million cubic feet of liquefied natural gas per day and will be connected to the Gwadar-Nawabshah segment of the Iran–Pakistan gas pipeline.

The expanded port will be located near a 2,282 acre free trade area in Gwadar which is being modeled on the lines of the Special Economic Zones of China. The swathe of land was handed to the China Overseas Port Holding Company in November 2015 as part of a 43-year lease. The site will include manufacturing zones, logistics hubs, warehouses, and display centers.

Businesses located in the zone would be exempt from customs authorities as well as many provincial and federal taxes. The project will be completed in three phases. By 2025, it is envisaged that manufacturing and processing industries will be developed, while further expansion of the zone is intended to be complete by 2030. According the chairman of China Overseas Port Holding Company, his company planned to spend $4.5 billion on roads, power, hotels and other infrastructure for the industrial zone, which he said would be open to Non-Chinese companies. The company also plans to build an international airport and power plant for Gwadar.

b. Projects in Gwadar City:

China will grant Pakistan $230 million to construct a new international airport in Gwadar which is to be operational by December 2017. The provincial government of Balochistan has set aside 4000 acres for the construction of the new

$230 million Gwadar International Airport which will require an estimated 30 months for construction, the costs of which are to be fully funded by grants from the Chinese government which Pakistan will not be obliged to repay.

The city of Gwadar is further being developed by the construction of a 300MW coal power plant, a desalinization plant, and a new 300 bed hospital. Plans for Gwadar city also include construction of the East Bay Expressway – a 19 kilometer controlled-access road that will connect Gwadar Port to the Makran Coastal Highway. These additional projects are estimated to cost $800 million, and are to be financed by 0% interest loans extended by the Exim Bank of China to Pakistan.

In addition to the aforementioned infrastructure works, the Pakistani government announced in September 2015 its intention to establish a training institute named Pak-China Technical and Vocational Institute at Gwadar, which is to be developed by the Gwadar Port Authority. The institute is to be completed by March 2016 at the cost of 943 million rupees, and is designed to impart to local residents the skills required to operate and work at the expanded Gwadar Port.

c. Roadway Infrastructure Projects:

The CPEC project envisages major upgrades and overhauls to Pakistan's transportation infrastructure. Under the CPEC project, China has announced financing for $10.6 billion worth of transportation infrastructure so far; $6.1 billion have been allocated for construction "Early Harvest" roadway projects at an interest rate of 1.6 percent. The remainder of funds will be allocated when the Pakistani government awards contracts for construction of road segments which are still in the planning phase.

d. Karakoram Highway Reconstruction:

The CPEC projects call for reconstruction and upgrade works on National Highway 35 (N-35). The N-35 forms the Pakistani portion of the Karakoram Highway, and spans the 887 kilometer long distance between the China-Pakistan border and the town of Burhan, near Hasan Abdal. At Burhan, the existing M1 motorway will intersect the N-35 at the Shah Maqsood Interchange. From there, access onwards to Islamabad and Lahore continues as part of the existing M1 and M2 motorways. Burhan will also be at intersection of the Eastern Alignment, and Western Alignment.

Upgrades to the 487 kilometer long Raikot to Burhan section of the Karakoram Highway are officially referred to in Pakistan as the Karakoram Highway Phase 2 project. At the southern end of the N-35, works are underway to construct a 59-kilometer-long, 4-lanecontrolled-access highway between Burhan and Havelian which upon completion will be officially referred to as the E-35 expressway. North of Havelian, the next 66 kilometers of road will be upgraded to a 4-lane dual carriageway between Havelian and Shinkiari. The next 354 kilometers of roadway between Shinkiari and Raikot, near Chilas will be constructed as a 2-lane highway. The northern 255.8 kilometers of this section between Thakot and Raikot spans an area in which the government of Pakistan is currently either planning or actively constructing several hydropower projects, most notably the Diamer-Bhasha Dam and Dasu Dam. Sections of the N-35 around these projects will be completely rebuilt in tandem with dam construction. In the interim, this section of the N-35 is currently being upgraded from its current state until dam construction commences in full force at a later date. Improvements projects on this section are expected to be completed by January 2017 at a cost of approximately $72 million. The next 335 kilometers of roadway connect Raikot to the China-Pakistan border. Construction on a 24 kilometer series of bridges and tunnels to Attabad Lake, 2 large bridges, 78 culverts and 5 kilometers tunnels are included in the construction work in this area while175 kilometer between Gilgit and Sakardu will be upgraded.

e. Overhaul of Main Line 1 Railway:

The CPEC "Early Harvest" plan includes a complete overhaul of the 1687 kilometer long Main Line 1 railway (ML-1) between Karachi and Peshawar at an estimated cost of $3.6 billion with expected completion by December 2019.Upgrading of the railway line will permit train travel at speeds of 160 kilometers per hour, versus the average 60 to 105 km per hour speed currently possible on existing track and the upgrades are also expected to cut transit times from Karachi to Peshawar by half. It include a fully dual track railway between Karachi and Shahdara, a complete overhaul of the Karachi to Shahdara railway, construction of a spur from Taxila to Havelian, a dry port to be established near the city of Havelian, computerized signal systems, and stretching of track in urban areas to prevent pedestrians and vehicles from crossing tracks in unauthorized areas.

f. Overhaul of Main Line 2 Railway:

Similar major upgrade on the 1254 kilometer long Main Line 2 (ML-2) railways between Kotri and Attock. This is a shorter route from south to north parallel to the Indus River. The project also includes a plan to connect Gwadar, to the town of Jacobabad which lies at the intersection of the ML-2 and ML-3 railways.

g. Overhaul of Main Line 3 Railway:

Medium term plans for the Main Line 3 (ML-3) railway line will also include construction of a 560 kilometer long railway line between Bostan near the Afghanistan border to Kotla Jam near the city of Dera Ismail Khan, which will provide access to southern Afghanistan. The railway route will pass through the city of Quetta and Zhob before terminating in Kotla Jam, and is expected to be constructed by 2025.

h. Orange Line Metro:

The $1.6 billion Orange Line of the Lahore Metro is under construction and is regarded as a commercial project under CPEC. The line will be 27kilometre long, of which 25kilometers will be elevated with the remaining portion to be underground between Jain Mandir and Lakshmi Chowk. When complete, the project will have the capacity to transport 250000 commuters per day, with plans to increase capacity to 500000 commuters per day by 2025.

i. Khunjrab Railway:

Longer term projects under CPEC also call for construction of the 682 kilometer long Khunjerab Railway line between the city of Havelian and the Khunjerab Pass on the Chinese border with extension to China's Lanxin Railway in Kashgar, Xinjiang. The railway will roughly parallel the Karakoram Highway, and is expected to be complete in 2030.The cost of the entire project is estimated to be approximately $12 billion, and will require 5 years for completion.

2.4. Energy Sector Projects:

Energy generation will be a major focus of the CPEC project, with approximately $33 billion expected to be invested in this sector. As part of the "Early Harvest" scheme of the CPEC, an estimated 10400 MW of electricity are slated for generation by March 2018. Pakistan's current energy generating capacity is 24830 MW, though the country currently faces energy shortfalls of over 4500MW on a regular basis with routine power cuts of up to 5 hours per day. The energy projects under CPEC will be constructed by private Independent Power Producers (IPP), rather than by the governments of either China or Pakistan. The Exim Bank of China will finance these private investments at 5–6%

interest rates. As part of the "Early Harvest" scheme of the CPEC, over 10,000 megawatts of electricity-generating capacity is to be developed between 2018 and 2020. While some "Early Harvest" projects will not be complete until 2020, the government of Pakistan plans to add approximately 10000 MW of energy-generating capacity to Pakistan's electric grid by 2018 through the completion of projects which complement CPEC.

a. Renewable-Energy Projects:

China's Zonergy company will complete construction on the world's largest solar power plant – the 6500 acre Quaid-e-Azam Solar Park near the city of Bahawalpur with an estimated capacity of 1000MW is expected to be completed in December 2016. The first phase of the project has been completed by Xinjiang Sunoasis, and has a generating capacity of 100 MW. The remaining 900 MW capacity will be installed by Zonergy under CPEC. The Jhimpir Wind Power Plant, built by the Turkish company ZorluEnerji has already begun to sell 56 MW of electricity to the government of Pakistan, though under CPEC, another 250MW of electricity are to be produced by the Chinese-Pakistan consortium United Energy Pakistan and others at a cost of $659 million.

SK Hydro Consortium is constructing the 870 MW SukiKinari Hydropower Project in the Kaghan Valley of Pakistan's Khyber Pakhtunkhwa province at a cost of $1.8 billion, SK Hydro will construct the project with financing by China's EXIM bank. The $1.6 billion 720 MW Karot Dam which is under construction is part of the CPEC plan, but is to be financed separately by China's Silk Road Fund. Pakistan and the $2.4 billion, 1100 MW Kohala Hydropower Project being constructed by China's Three Gorges Corporation predates the announcement of CPEC, though funding for the project will now come from CPEC fund. Pakistan and China have also discussed the inclusion of the 4500MW $14 billion Diamer-Bhasha Dam as part of the CPEC project.

b. Coal:

Despite several renewable energy projects, the bulk of new energy generation capacity under CPEC will be coal-based plants, with $5.8 billion worth of coal power projects expected to be completed by early 2019 as part of the CPEC's "Early Harvest" projects. The Shanghai Electric company of China will construct two 660MW power plants as part of the "Thar-I" project in the Thar coalfield of Sindh province. The facility will be powered by locally sourced coal, and is expected to be put into commercial use in 2018. Near the Thar-I project, the China Machinery Engineering Corporation in conjunction with Pakistan's Engro Corporation will construct two 330MW power plants (having initially proposed the simultaneous construction of two 660MW power plants) as well as developing a coal mine capable of producing up to 3.8 million tons of coal per year as part of the first phase of the "Thar-ll Project." The first phase is expected to be complete by early 2019, at a cost of $1.95 billion. As part of infrastructure required for electricity distribution from Thar power plants, the $2.1 billion in Matiari to Lahore Transmission Line, and $1.5 billion in Matiari to Faisalabad transmission line are also to be constructed as part of the CPEC project. The Matiari to Lahore transmission line is to be built on an "urgent basis" by the China Electric Power Equipment and Technology Company. Also in Sindh province, the 1320MW $2.08 billion Pakistan Port Qasim Power Project near Port Qasim will be a joint venture of Al-Mirqab Capital from Qatar, and China's Power Construction Corporation – a subsidiary of Sinohydro Resources Limited. In Punjab province, the $1.8 billion Sahiwal Coal Power Project is an under construction project in central Punjab that will have a capacity of 1320MW. It is being constructed by a joint venture of two Chinese firms: the Huaneng Shandong company and Shandong Ruyi Science & Technology Group, who will jointly own and operate the plant. Other coal-based projects in Punjab province include a $589 million project to establish a coal mine and a 300MW coal power plant to be built in the town of PindDadan Khan by China Machinery Engineering Corporation in Punjab's Salt Range.

In Balochistan province, a $970 million coal power plant at Hub, near Karachi, with a capacity of 660MW to be built by a joint consortium of China's China Power Investment Corporation and the Pakistani firm Hub Power Company as part of a larger $2 billion project to produce 1,320MW from coal. A 300MW coal power plant is also being developed in the city of Gwadar, and is being financed by a 0% interest loan.

c. Liquefied Natural Gas:

The Chinese government has announced its intention to build a $2.5 billion 711 kilometer long liquid natural gas pipeline from Gwadar to Nawabshah in province as part of CPEC. The pipeline is designed to be a part of the 2775 kilometer long Iran–Pakistan gas pipeline, with the 80 kilometer portion between Gwadar and the Iranian border to be connected. Iran has already completed a 900 kilometer long portion of the pipeline on its side of the border. The Pakistani portion of the pipeline is to be constructed by the state-owned China Petroleum Pipelines Bureau. The project will not only provide gas exporters with access to the Pakistani market, but will also allow China to secure a route for its own imports.

There are some other LNG projects which have no relation with CPEC. Some Chinese projects are also included in those LNG projects. The 1223MW Balloki Power Plant near Kasur constructed by China's Harbin Electric Company with financing from the China's EXIM bank, the 1180MW Bhikki Power Plant near Sheikhupura jointly constructed by China's Harbin Electric Company and General Electric United States are included in the projects outside CPEC. This project has no relation with the $2 billion 1100 kilometer North-South Pipeline liquefied natural gas pipeline which is to be constructed with Russian assistance between Karachi and Lahore with anticipated completion by 2018. Similarly the planned $7.5 billion TAPI Pipeline is a separate project which covers Turkmenistan, Afghanistan, Pakistan, and India.

According to the minister for planning and development Mr. Ahsan Iqbal the first phase of China-Pakistan Economic Corridor (CPEC) would be completed by 2018.The production of 10,000MW of energy under CPEC would help overcome the energy crisis as well as upgrade the existing road network of the country especially western route through construction of missing links.

Energy Projects

"Early Harvest" Energy Project	Capacity	Location
Pakistan Port Qasim Power Project.	1,320 MW (2 x 660 MW plants)	Sindh
Sahiwal Coal Power Project	1,320 MW (2 x 660 MW plants)	Punjab
Rahimyar Khan coal power project	1,320 MW (2 x 660 MW plants)	Punjab
Thar SSRL coal power project and mine	1,320 MW (2 x 660 MW plants)	Sindh
Quaid-e-Azam Solar Park	1,000 MW	Punjab
SukiKinari Hydropower Project	870 MW (expected completion in 2020)	Khyber Pakhtunkhwa
Karot Hydropower Project	720 MW (expected completion in 2020)	Punjab
Hubco coal power project	660 MW	Balochistan
Thar Engro Coal Power Project	660 MW (2 x 330 MW plants)	Sindh
Gwadar coal power project	300 MW	Balochistan
UEP Windfarm	100 MW	Sindh
Dawood Windfarm	50 MW	Sindh
SachalWindfarm	50 MW	Sindh
SunnecWindfarm	50 MW	Sindh
Matiari to Faisalabad transmission line	660 KV	Sindh and Punjab
Matiari to Lahore Transmission Line	660 KV	Sindh and Punjab

List of Major Projects

Project	Notes
Western Alignment	Under construction. Surab to Gwadar portion is funded by the Asian Development Bank, but is considered vital for completion of CPEC's Western Alignment.
Thar Engro Coal Power Project	Approved
Thar Block II coal power project	Approved
SukiKinari Hydropower Project	Approved
Salt Range coal power project	Approved
Sahiwal Coal Power Project	Under construction
Quaid-e-Azam Solar Park	Under construction First phase complete, generating 100 MW of electricity
Pakistan Port Qasim Power Project	Under construction
Orange Line (Lahore Metro)	Under construction
Matiari to Lahore Transmission Line	Approved
Matiari to Faisalabad transmission line	Approved
Main-Line 1 railway overhaul between Karachi and Peshawar	Planning studies underway
Main Line 2 and 3 railway overhaul	Approved
Khunjerab Railway	Feasibility studies underway
Karot Hydropower Project	Under construction Financed by China's Silk Road Fund
Karot hydropower project	Approved
Highway reconstruction and overhaul	Under construction. Portion between Raikot and Chinese border had been under construction prior to CPEC announcement, and was completed in 2012 The 24 kilometer long Karakorum Highway Realignment around Attabad Lake was also completed in 2015
Motorway Multan to Sukkur segment	Under construction
Jhimpir wind power project	Approved
Iran–Pakistan gas pipeline	Under construction. Iranian portion completed Gwadar to Nawabshah portion is to be funded by CPEC agreements, while th e Gwadar – Iran border portion will be funded by the Pakistani government.
Hubco coal power plant project	Approved
Havelian Abbottabad Dry Port	Planning studies underway
Gwadar-Ratodero Motorway	Partially operational
Gwadar-Nawabshah LNG terminal and pipeline project	Approved

Project	Notes
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Thar Block II coal power project	Approved
SukiKinari Hydropower Project	Approved
Salt Range coal power project	Approved
Sahiwal Coal Power Project	Under construction
Quaid-e-Azam Solar Park	Under construction First phase complete, generating 100 MW of electricity
Pakistan Port Qasim Power Project	Under construction
Orange Line (Lahore Metro)	Under construction
Matiari to Lahore Transmission Line	Approved
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Hubco coal power plant project	Approved
Havelian Abbottabad Dry Port	Planning studies underway
Gwadar-Ratodero Motorway	Partially operational
Gwadar-Nawabshah LNG terminal and pipeline project	Approved

Project	Notes
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Iran–Pakistan gas pipeline	Under construction. Iranian portion completed. Gwadar to Nawabshah portion is to be funded by CPEC agreements, while the Gwadar – Iran border portion will be funded by the Pakistani government.
Jhimpir wind power project	Approved
Karachi–Lahore Motorway Multan to Sukkur segment	Under construction
Karakoram Highway reconstruction and overhaul	Under construction. Portion between Raikot and Chinese border had been under construction prior to CPEC announcement, and was completed in 2012. The 24 kilometer long Karakorum Highway Realignment around Attabad Lake was also completed in 2015
Karot Hydropower Project	Under construction. Financed by China's Silk Road Fund
Karot hydropower project	Approved
Khunjerab Railway	Feasibility studies underway
Main Line 2 and 3 railway overhaul	Approved
Main-Line 1 railway overhaul between Karachi and Peshawar	Planning studies underway
Matiari to Faisalabad transmission line	Approved
Matiari to Lahore Transmission Line	Approved
Orange Line (Lahore Metro)	Under construction
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Change in Population Dynamics & Regional Politics: Socioeconomic Implications of CPEC

3.1. Balochistan in the National Economy of Pakistan:

Balochistan, the southwestern province of Pakistan is the largest of four administrative provinces in terms of area, constituting approximately 44% of total land, and the smallest in terms of population, represents to 5% of the population. Its share in Pakistan's national income is ranged between 4 to 5 percent, while its economy is largely based upon the production of natural gas, coal and other minerals. Baluchistan province is bordered by Afghanistan to the north and north-west, Iran to the south-west, the Arabian Sea to the south, Afghan war-affected Khyber Pakhutankhwa and Federally Administered Tribal Areas to the north-east and Punjab and Sindh provinces to the east. Several vested interest groups are identified by public media behind the poverty and underdevelopment in the highly rich province in terms of the mineral resources and a long deep sea coastal belt in Arabian Sea. Powerful feudal in Baluchistan, militant wings of ethnic groups, and political institutions in Pakistan are considered the vested interest groups behind the unresolved disputes regarding the ownership of mineral and land resources, socio-political unrest and militancy in Baluchistan.

Though Pakistan is currently facing several crisis at economic and political fronts, its geographical location at the nexus of Central Asia, South Asia and Middle East, rich mineral resources in Baluchistan, size of market, multi-cultural society, large coastal area in hot water sea, big rivers and rainfalls for developing water reservoirs and the favorable weather and climate conditions provide catalysts for its fast track economic development. In this background, the decline rate of growth in GDP, severe shortage of energy, growing trade deficit and fiscal crisis seem unnatural. One of the major reasons of present economic crisis in Pakistan is the shortage of energy. Majority of power plants in Pakistan is based on natural gas, while unpredicted shortage of natural gas has badly disturbed the CNG stations, domestic consumers, industries and power plants. Despite rich reservoirs of natural gas in Baluchistan, its smooth exploration, supply and new drilling has become a difficult task due to attacks by militant groups on the installations and peoples working in the fields. There are rich deposits of gold and copper in the Chagai District in RekoDiq area. The potential annual copper production has been estimated to be 900,000 to 2.2 million tons. The main license was held jointly by the provincial government of Baluchistan (25%), the rest by foreign interests Antofagasta Minerals (37.5%) and Barrick Gold (37.5%). However, the Supreme Court (the highest branch of judiciary) of Pakistan has cancelled this deal. Though the province remains largely underdeveloped, several major development projects, including the construction of a new deep sea port at the strategically important town of Gwadar are in progress in Balochistan.

3.2. 'Growth led Growth Model':

To bring the economy out of the present crisis, the policy makers have focused on developing a trade corridor among the central Asian countries, China and Middle East through Gwadar sea port in Pakistan. The port is projected to be the hub of an energy and trade corridor to and from China and the Central Asian republics. The construction of this port at the strategically important town of Gwadar is in progress. The port is projected to be the hub of an energy and trade corridor to and from China and the Central Asian republics. District Gwadar covers 12,637 square kilometer area and the majority of population consists of Baloch.

Gwadar is strategically located on the western end of Baluchistan coast on the opposite end of the Gulf of Oman which is an important route for oil tankers bound for Japan and western countries out of Gulf. This port is located at the mouth of the Persian Gulf, just outside the Strait of Hormuz, near the key shipping routes in and out of the Persian Gulf. The development of Gwadar free port will lead the development of a new modern city in the contemporary world. From Pakistani point of view, the development of Gwadar free port is one of the major recommended strategies to revolutionize the economic growth of Pakistan. The development of Gwadar free port is in fact, a multi-dimensional strategy which covers the international linkages in trade and investment. Since outflow of goods from western China and Central Asia reaching Gwadar will pass through this overland trade route, Pakistan could earn millions of dollars a year in terms of port and cargo handling charges and also as freight charges for import cargoes and export goods. The strategy follows an 'Urban-led Growth Model' which has been tested and implemented in Singapore, Dubai and Bangkok. The accelerated growth of Pakistan economy is now largely dependent on the fast developing work in physical infrastructure. The economic policy makers and strategists in Pakistan think that all infrastructures related development in Pakistan is attached with Gwadar port city. In fact the development of Gwadar is an integrated project, which covers at least four mega projects:

1. Development of Gwadar port;
2. Development of Gwadar city;
3. Construction of the highways and motorways to link Gwadar port city with the rest of country mainly the big urban areas including Karachi, Lahore and Islamabad; and
4. Construction of the Gwadar-Kashgar road (famously known as CPEC) to provide access to Chinese and Central Asian states to Arabian Sea.

The port is strategically important also for China because it will enable China to more safely and reliably import oil, as its economy is heavily dependent upon the oil from the Persian Gulf. At present this oil passes via a very long route through the Strait of Malacca, which is under US influence. After this oil has reached Shanghai or the Chinese East Coast, it has to be transported thousands of miles inland to the West of China. Currently, sixty percent of China's oil must be transported by ship from the Persian Gulf to the only commercial port in China, Shanghai-distance of more than 16,000 kilometers. By using Gwadar port Chinese shipping can avoid from the risks of vulnerability to pirates, bad weather, political rivalries, and other economic losses. By using Gwadar port and then the CPEC the oil follows a much safer, cheaper and shorter route to the West of China. It has also been announced that under China's coastal refinery plan, China will invest $12 billion in multiple projects in Gwadar and other parts of Pakistan, including construction of a big refinery, railway track from Kashgar (China) to Gwadar (Pakistan), Motorways, Naval base and Airport.

3.3. History of Developing the Gwadar Port:

In fact the government of Pakistan had formally conceived the plan to develop Gwadar port and city in 1993. In March 2002, the Government of Pakistan began construction of a modern deep-sea port and its Phase I was completed in March 2007. In 2002, Pakistan's National Highway Authority (NHA) began construction of the 653 km-long Makran Coastal Highway linking Gwadar with Karachi, which was completed in 2004. A master plan for the development of Gawadar City with land zoning and internal infrastructure networks was approved by the federal government in 2003. In 2006, the Gawadar Development Authority adopted a 50-year Master Plan for Gwadar. In 2007, the Civil Aviation Authority of Pakistan acquired 6,000 acres to construct a new International Airport. Gwadar Port was officially opened in March 2007.

It is notable that initially, the Government of Pakistan in 2007 had signed a 40-year agreement with Port of Singapore Authority (PSA) International for the development and operation of the tax-free port and duty-free trade zone in Gwadar. In order to enable Gwadar to compete with its regional peers, the port fee was kept low by allowing a wide range of tax concessions to the PSA International. These include complete exemption from corporate tax for 20 years, duty-free imports of materials and equipment for construction and operations of the port and a free economic zone, and zero rate of duty for shipping and bunker oil for 40 years. In addition to these incentives, the provincial government of Baluchistan was also asked to exempt the PSA International from the levy of provincial and district taxes. According to the agreement, the Gwadar Port Authority would get a fixed share @ 9% of the revenue from cargo and maritime services, and 15% of the revenue earned from the free-trade zone. In 2011 it was reported that Gwadar is doing little business as a commercial port. Then, Pakistan had asked China to take over the operation and China has confirmed that it would be taking control of Gwadar, which they believe has the potential to serve as an oil pipeline hub for Chinese energy needs. Consequently, the concession agreement from the PSA has been transferred to the state-owned China Overseas Port Holdings Limited in 2013. China has been instrumental in design of the project as it is providing approximately 80% of the cost of Port in shape of grants and soft loans. China has paid US$360 million to Pakistan for expansion and an upgrade for all-weather traffic ability of Karakoram Highway linking Pakistan with China. The contract has been awarded to a Pakistani firm (Frontier Works Organization), who has also started the project.

3.4. Consequences and Alternative Hypothesis:

The development of Gwadar port and free economic zones have long term and far reaching impacts on the economic development of China, Iran, India, Afghanistan and Central Asian Republics. This development will provide a gateway to the landlocked countries in central Asia through Arabian Sea, as Gwadar has the potential to acquire the status of the main gate to Strait of Hormuz and it can compete with the United Arab Emirates ports by improving the exiting links to Caspian Region.

The development of Gwadar port, economic free zones, and port city are considered as a revolutionary step in the economy of Pakistan. It will improve GDP growth, tax revenues and employment opportunities in Pakistan and consequently will reduce the growing level of poverty. It may be used as an instrument for modernization of existing infrastructure and improving the regional connectivity. Developing a big and integrated global market in central and south Asian countries and rural-urban connectivity in Pakistan may be the by-products of this plan. It may lead the consumer welfare by availability of goods and services at competitive prices. Enhancement in trade and investment activities, inflow of foreign exchange and reducing external debt liabilities may be its favorable consequences.
There is no disagreement in the opinions that 'Gwadar-led Growth Model' will accelerate the economic growth of Pakistan, however it is a matter of serious disputes that who will get the major benefits and how this cake will be distributed. Federal government of Pakistan, provincial government of Baluchistan, feudal in Baluchistan, ethnic and sectarian groups, foreign investors, government of China and many others are included in the perspective beneficiaries.

It is extremely important that the slogans of independent Baluchistan by Baloch feudal, ethnic tension, termination of mining projects in Baluchistan by the Supreme Court of Pakistan, attack on the workers of Multinational companies working in Baluchistan, growing number of killings of Chinese engineers at the site of developing projects, kidnapping of investors and managers in Baluchistan, failure of the Singapore's investor to develop the free port in Gwadar, political turmoil in Pakistan and tension on eastern boarders and then Iranian boarders, religion extremism, Taliban element in Pakistan and more importantly finding India's spying in the Province cannot be isolated from the economic development strategies in Pakistan. The objective of this study is to test the role of ethnic variations in political disturbance in Baluchistan and recommending the feasible options by testing the several alternative hypotheses.

3.5. Ethnic History of Balochistan:

The root causes of such economic issues in Pakistan are deeply rooted in the history, cultural changes and across the boarders political relations. To analyze the role of ethnic militancy and pressure groups in Pakistan we will have to refer the present patterns of ethnic distribution and their historical roots.

The name Baluchistan means "The land of the Baloch" in Urdu, Persian, Uzbek, Pushto, Turkmen, Tajik, Kazik, Kyrghiz and many other regional languages. The households whose primary language is Balochi represent 55% of Baluchistan's population, while 30% of households speak Pashto (Pakistan Statistical Year Book: 2008). Other than the main ethnic groups, there are relatively smaller communities of Iranian Baloch, Hazaras, and other settlers, including Punjabis, Uzbeks, and Turkmens.

3.6. Opposition from Baloch Nationalists:

Baloch nationalists have expressed opposition to the project, stating that any large-scale development in the province would eventually lead to local residents "losing control" over natural resources. Other Baloch nationalists view it as a "conspiracy" that would stimulate migration of people from other provinces and make the Baloch a minority in the province.

The most important aspect in the minds of the peoples in Baluchistan is the impacts of the changing in population structure from ethnic point of view. Gwader in Balochistan is the ultimate destination of CPEC while Balochistan is the least populated province of Pakistan. The province carries the rich mineral resources. These characteristics attract the peoples to settle in Balochistan while CPEC will facilitate the peoples to travel and settle in this province. It is quite obvious that ethnic patterns of population distribution will be affected by the inflow of peoples from China and other cities of Pakistan. The average rate of outflow migration from China is 0.44 per thousand persons however, this may be much higher in case of the migration from the least developed western part of China to a fast developing region located near the central part of Arabian Sea, particularly if the similarity of religion facilitate the cultural transformation. Conservatively, 0.44 per thousand person migration from China because of economic reasons corroborates the inflow of more than 600000 peoples per year in Pakistan after operating the CPEC. At present Balochi's are 55 percent of the total population of Baluchistan. The current rate of growth in Balochistan's population is 2.36 percent. This growth in population is the composition of crude birth rate, death rate and migration of the peoples in Balochistan from other provinces of Pakistan. The simulation results based on the existing rate of migration from China at 0.44 persons per thousand and rate of population growth at 0.43 percent we may predict that the share of Chinese in Balochistan's population will remain to increase and in 2045 Chinese population may be greater than population of Pakistani origin peoples in Balochistan.

The optimistic aspect of the CPEC is the speedy developing infrastructure and improving livelihood conditions in Balochistan. The incoming investors and settlers may offer attractive prices for land acquisition- even better than the growing market value. This situation will provide good financial opportunities to the poor native peoples of Balochistan. But how the unskilled poor peoples of Balochistan will maintain their lives without land ownership which is their only asset? This is the usual question which was repeatedly asked by the Baloch peoples. How much this is a realistic question, it depends on the government policy regarding the protection of the rights of investors, foreign workers and immigrants. But, the changing in population dynamics is the usual part of development and progress. Socio-cultural changes always come with the economic development and Balochistan will have to adopt the cultural changes and cosmopolitan society.

In fact, this apprehension is based on the experiences of other countries, where migrations have created social unrest, chaos and even bloody clashes. There are several possible and feasible ways to avoid undesired situations. One of the possibility is to devise a mechanism where the training and educational facilities should be provided to the native peoples at affordable cost and ensure their participation in economic activities including employment, business ownerships and civic authorities. Obviously economic justification does not allow the participation without productivity, so to improve the productivity education and training to the local peoples should be provided. The other mechanism is to secure the political supremacy of local peoples either by reserve seats in legislative and political institutions or through discriminatory voting rights.

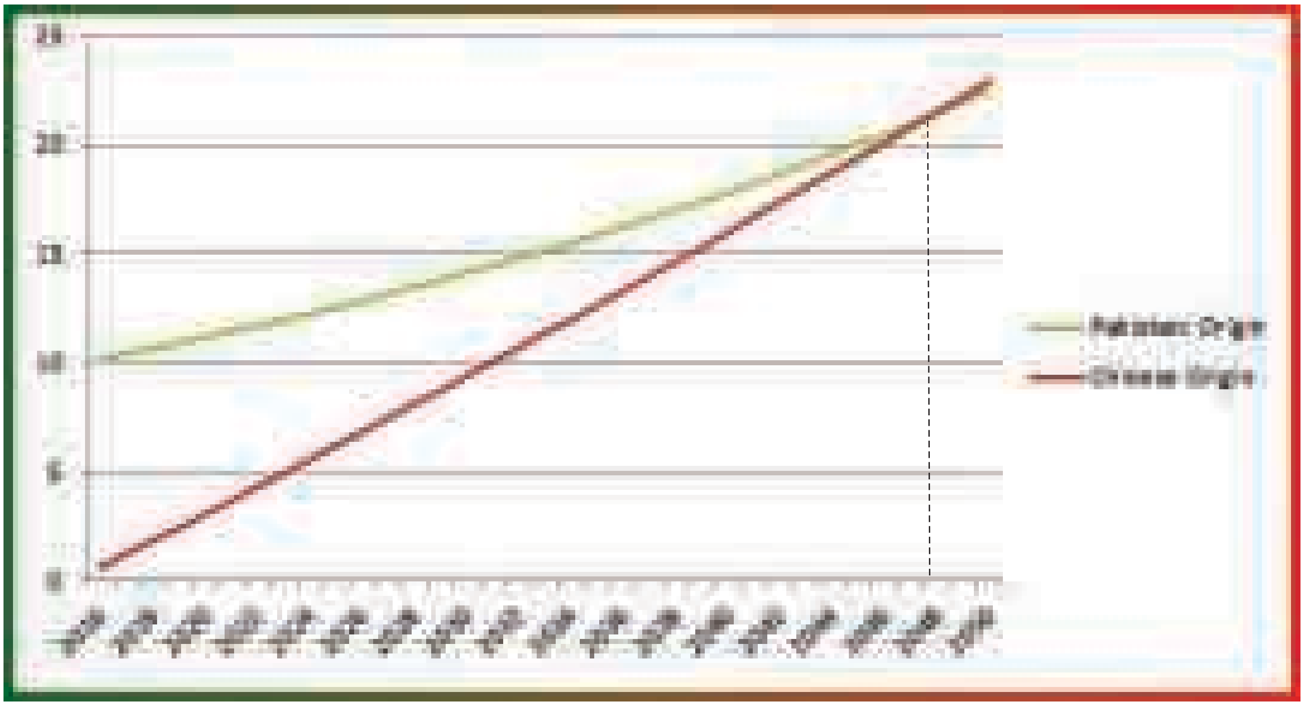
We have projected the trends of population on the basis of existing rate of population in Balochistan province, mainland of China and entire Pakistan. We have also incorporated the rate of outflow migration from China. The simulation results are presented in the next table. It is envisaged that even the present rate of migration from China the Pakistani origin peoples will remain in majority in Balochistan up to 2048.

Changing in Population Dynamics after CPEC

(Projections based on existing rate of population growth and outflow migration)

Year	Chinese Origin	Pakistani Origin	Difference
2016	10.18	0.61	9.57
2017	10.42	1.22	9.20
2018	10.66	1.83	8.83
2019	10.91	2.45	8.47
2020	11.17	3.06	8.11
2021	11.44	3.69	7.75
2022	11.71	4.31	7.40
2023	11.98	4.93	7.05
2024	12.26	5.56	6.70
2025	12.55	6.19	6.36
2026	12.85	6.83	6.02
2027	13.15	7.47	5.69
2028	13.46	8.11	5.36
2029	13.78	8.75	5.03
2030	14.11	9.39	4.71
2031	14.44	10.04	4.40
2032	14.78	10.69	4.09
2033	15.13	11.35	3.78
2034	15.49	12.00	3.48
2035	15.85	12.66	3.19
2036	16.23	13.32	2.90
2037	16.61	13.99	2.62
2038	17.00	14.66	2.34
2039	17.40	15.33	2.08
2040	17.81	16.00	1.81
2041	18.23	16.68	1.56
2042	18.66	17.36	1.31
2043	19.10	18.04	1.07
2044	19.55	18.72	0.83
2045	20.02	19.41	0.60
2046	20.49	20.10	0.39
2047	20.97	20.80	0.18
2048	21.47	21.49	-0.03
2049	21.97	22.19	-0.22
2050	22.49	22.90	-0.40

Pattern of Changing in Population Dynamics after CPEC



3.7. Distribution of Resources among Geo-ethnic Identities in Pakistan:

Pakistan is divided into four provinces: Punjab, Sindh, Khyber Pakhtonkhwa and Baluchistan. The roles and powers of provinces within the federation of Pakistan are predetermined in the constitution. Natural resources including mineral resources (except oil, gas and gold) are considered as provincial property in Pakistan, but the income of these resources is transferred to the local feudal. Provinces get only the income from taxes on the production of these resources. River water distribution is decided by Economic Coordination Committee of the provinces. Fiscal resources of the federal government are largely depends on taxes on income and sales of goods and services. These resources are shared among the federal government and provinces on the basis of a formula determined by the National Finance Commission (NFC).

Punjab is the largest province covers about 60 percent population, while Baluchistan is the smallest with 4 percent population. Being the largest province Punjab receives the largest share in divisible resources, and it is one of the basic points to create ethnic tension in the country. Though population based distribution of resources among the provinces was a valid criterion since 1947, it is modified after demand by the smaller provinces. Baluchistan, Sindh and Pakhtoonkhwa have been demanding for the distribution of resources on multiple criterion rather than population. The PakhtunKhwa has a claim on hydal electricity profits, Baluchistan want fair share in the oil and gas revenue and Sindh want to include the revenue generation capacity as a factor of revenue sharing formula.

In Pakistan the expenditures on the armed forces and serving the public debts are major responsibilities of the federal government that claim a large part of the state revenue. While the provincial government pay for resource consuming sectors of education, health, law and order and construction. The distribution of economic resources among the federating units covers both fiscal and natural resources in the country. Though, the patterns of these distributions are predetermined in the constitution, the controversies on the implementation of constitutional procedures and demand for amendments in the constitution is too common in Pakistan.

Before determining the relations among the provinces, first it should be clarified that present distribution of provinces in Pakistan is no longer ethnic. Sindh is clearly divided between Sindhi and non Sindhi speaking population, and the latest data indicates that Sindhi speaking have become a minority in Sindh province. Baluchistan is clearly divided into Pushtoon and Baloch areas. Balochi-speaking peoples are concentrated in the sparsely populated west, east, south and southeast. Pashtuns are in majority in Northern-west (including Quetta- capital city of Baluchistan and Zhob). Brahuis dominate in center of the province (Khuzdar District), Makranis (in coastle areas of Gawadar and Pasni). The coastal region of Makran (including Gwadar and Pasni) is the home of Makranis, who speak distinct ethnic dialects. Saraikies and Sindhis are dominated ethnic groups in Sibi, Lasbela and Hub districts. Hindko, Saraiki and Pashtun are the major ethnic groups in in Khyber Pakhtoonkhwa, while Punjab is a multicultural province, where Kashmiries, multi dialect Punjabis, Saraiki, Photohari, Urdu speaking and innumerous linguistic groups live and no one can be considered "less Punjabi" if he lives permanently in Punjab. So, in determining the share in resources, the ethnic distribution cannot be followed. Like or dislike it, ethnic distribution is no longer sustainable in the context of Pakistan. Karachi at present is the largest city of Pashto speaking community, Lahore is the second largest Urdu speaking population in Pakistan after Karachi, and 35 percent Urdu speaking are historically Pathans and have their origin in Charsada, Mardan, Peshawar, Kabul and Ghazni.

The strong economic dependency on each other will not allow the disintegration of the provinces, particularly, when no province has an ethnic domination. The resource distribution is Pakistan cannot be determined even on the basis of resource mobilization activities, because the competitiveness and sustainability of the goods and services producing units cannot be isolated from the factors of production. If industrial assets and their production facilities are located in Sindh, their capital, labor and entrepreneurship may belong to Punjab. Similarly, industrial units in Punjab cannot survive without infrastructure and transportation facilities in Sindh. Punjab provides a big market to all the producers in Pakistan.

3.8. Role of Feudalism: Falsification of the Geo Ethnic conflicts:

The hypothesis of exploitation of the ethnic groups and provinces can be tested by the comparisons in their living standards and quantification of the provision of public sector services. It is noteworthy that per capita income in Baluchistan is much higher as compared to the other provinces. The employment conditions are worst in Khyber PK, where rate of unemployment is much higher and the share of population in salary income is also lower. There is not a significant difference among the provinces in the provision of civic facilities in urban areas, however, in comparison of rural areas Baluchistan show a weaker picture where provision of electricity in rural areas is much weaker than the rural areas of other provinces. Its reason is quite obvious, extremely lower population with larger area denotes the much higher cost of electrification of rural Baluchistan. The peoples of Baluchistan have shown their satisfaction over the provision of educational facilities and the role of police in their areas. However they are unsatisfied on the provision of health facilities. The level of their satisfaction, rate of unemployment and average income do not provide any justification in favor of anti-Pakistan sentiments in Baluchistan. It indicates that political unrest in Baluchistan has no correlation with the economic problems.

It is surprising that national level political parties have no clear cut opinion on the important strategic issues and will avoid form direct responses of the closed ended questions on the mechanism and criteria of the distribution of mineral, fiscal and land resources. Majority of political parties emphasize on their attachment with the ideologies and international issues, they avoid from discussion on the geo-ethnic issues among the peoples in Pakistan. **Though, geo-ethnic political parties have not succeeded in Pakistan because peoples do not cast their votes in favor of**

geo-ethnic political parties. Small political groups and parties are more important in the context of Pakistan, because they defend their ideologies aggressively. They do not have their large vote bank, but they can create nuisance against the ruling political parties. In this way they get success to implement their agenda. Protecting certain ethnic groups, political use of Islam and sometimes protecting the public interest are the tools of small political parties. Regardless their ultimate motives, opposition parties always use them against ruling parties.

Majority of parliamentarians and politicians in Pakistan belongs to feudal lobbies. They control over the political parties and system. The bogus votes, use of power to change the election results, acquiring fake degrees to qualify for the elections and holding public offices and transfer of civil servants etc. are the components of the getting control over political system by feudal. Feudalism in Pakistan will not allow any change in the economic and political system if these changes create imbalances in their relative powers. They always remain in the policy making by hook or by crook. They are mainly interested to get authority of public works in their areas, creating of employment for certain peoples, appointment of favorite public servants in local administration, police and judiciary.

All the decisions like construction of large dams, local government system, creation of new provinces, changes in the boundaries of provinces, increase in tax rates, higher taxes on business and salary incomes, exemption of tax on agriculture income, defense expenditures, quota system in public sector employment, devolution of higher education commission, and transfer of ministries from federal government to provinces etc. are deeply rooted in geo ethnic politics led by the feudal in Pakistan.

3.9. Implications of Gwadar Port and Recommendations:

In fact, the development of infrastructure including Gwadar port and city is not possible in the public sector, as the history of public finance in Pakistan indicates the misuse of funds for the development of politically-motivated projects: to offset the losses of commercial institutions in the public sector, to create inflated employment opportunities, to subsidise public services and to finance unnecessary populist projects. In past, fiscal policy has always failed to support the necessary investment in the development of infrastructure. Lack of transparency, insufficient tax collection, uneven burden of taxes, the people's mistrust of policy makers and bad governance are the key factors which have contributed to the failure of fiscal policy in Pakistan. The cost of these bad decisions is ultimately paid by the middle and lower middle class peoples in the form of indirect taxes. Similarly, external borrowing by public sector to finance the infrastructure development is no longer a feasible option for Pakistan as experience of external borrowing has been overwhelmingly negative.

All these factors point to the conclusion that CPEC is the best possibility option available However, financial openness, economic freedom, trade liberalization, and changes in the social and political policies are required sustainability of such projects. To support the inflow of foreign investment in such mega projects, support from the legal and institutional establishment is required. Political governance has an important role to play in the success of this policy. Global and regional integration, new public management, the lean government are also the associated policy measure for economic liberalization. It should be made clear at this stage that investment for development projects should not be routed through public sector entities, and the government should not do anything in the commercial sector except:

- To manage the law and order situation and the provision of justice without any political, sectarian or ethnic bias;
- To ensure transparency and sustainability in the economic policies; and
- To provide complete freedom to economic activities without any unnecessary bureaucracy.

This development will lead the enhanced activities in construction, energy, steel, mining, transport and financial sector, where vested interests of various groups at national and international levels may be involved. So, such economic ventures should not be politicized, which is possible only when we create transparency and liberalization for all stakeholders on competitive basis without discrimination.

A level playing field should be provided to all stakeholders and investors regardless their origin. It is required for developing a cosmopolitan city. A cosmopolitan city cannot be developed without freedom of migration and investment from all over the world without any bias. This strategy will also promote the healthy competition. Moreover, all development projects and policies in Gwadar should be completely transparent so that all investors cannot make their feasibility and participation with confidence.

Socio Economic Comparison

Region	Area (000 sq. km)	Population (Million)			Cropped Area Million Hectors	Literacy Rate (%)	Unemployment Rate of (%)	Per Household Average Monthly Income (Rs)	Percentage of Salary Persons	Public Expenditure on social sector as % of total exp.
		1998	2012	2015						
Pakistan	796	132	181	192	22.45	60	6.2	9,098	53.84	2.06
Punjab	206	73	98	104	13.79	63	6.1	9,032	49.18	14.38
Sindh	141	30	43	46	4.87	60	5.0	9,486	65.07	23.53
KPK	102	21	24	26	1.68	53	8.5	7,833	53.89	28.67
Balochistan	347	6.5	9	10	2.11	44	4.0	11,128	51.60	24.95
Source: Economic Survey of Pakistan (2014), Households' Income and Expenditure Survey (2013)										

Pattern of Public Expenditures in Pakistan (%)

Description	Federal Government	Punjab	Sindh	KPK	Baluchistan
Defense	16.6	--	--	--	--
Debt servicing	30.5	--	--	--	--
Community service	0.02	0.65	0.35	1.17	5.98
Social sector services	2.06	14.38	23.53	28.67	24.95
Economic services	1.15	12.45	6.16	4.77	15.65
Total Community, social and economic services as % of total Expenditures	3.23	27.48	30.04	34.61	46.58
Source: Budget Documents (2014-15)					

Population (%) Ever Attended School (2014-15)

Region	Urban		Rural	
	Male	Female	Male	Female
Punjab	84	74	66	40
Sindh	83	71	57	25
Khyber PK	82	53	72	33
Balochistan	74	43	55	17
Source: Pakistan Social and Living Standards Measurement Survey 2014-15				

Literacy Rate (%): 10 Years and above

Region	Urban		Rural	
	Male	Female	Male	Female
Punjab	82	73	65	45
Sindh	82	70	55	24
Khyber PK	80	52	69	31
Balochistan	78	42	61	25
Source: Pakistan Economic Survey 2015-2016				

Households (%) by Fuel Used for Lighting (2014-15): Urban

Region	Electricity	Gas/ Oil	Candle	Others
Punjab	98.55	1.10	0.26	0.09
Sindh	98.90	0.73	0.10	0.27
Khyber PK	99.20	0.69	0.00	0.11
Balochistan	97.59	1.93	0.18	0.30
Source: Pakistan Social and Living Standards Measurement Survey 2014-15				

Households (%) by Fuel Used for Lighting (2014-15): Rural

Region	Electricity	Gas/ Oil	Candle	Others
Punjab	92.96	5.07	0.68	1.29
Sindh	82.18	8.10	2.52	7.20
Khyber PK	95.51	1.20	0.25	3.04
Balochistan	74.42	20.06	3.56	1.96
Source: Pakistan Social and Living Standards Measurement Survey 2014-15				

Households (%) by Fuel Used for Cooking: Urban

Region	Oil	Gas	Wood/ Charcoal	Others (Dunk Cake etc.)
Punjab	0.08	82.38	15.01	2.53
Sindh	0.03	90.74	8.29	0.95
Khyber PK	0.16	80.29	18.73	0.82
Balochistan	0.39	59.65	37.73	2.23
Source Pakistan Social and Living Standards Measurement 2014-15				

Households (%) by Fuel Used for Cooking: Rural

Region	Oil	Gas	Wood/ Charcoal	Others (Dunk Cake etc.)
Punjab	0.06	16.94	69.14	13.86
Sindh	0.07	15.30	74.08	10.55
Khyber PK	0..09	13.49	84.86	1.56
Balochistan	0.29	11.65	86.38	1.68
Source: Pakistan Social and Living Standards Measurement Survey 2014-15				

Main Source of Drinking Water (%): Urban

Region	Tap Water	Hand Pump	Motor Pump	Dug Well	Other (Spring Canal, Seller etc.)
Punjab	35	7	40	1	18
Sindh	69	8	11	1	11
Khyber PK	55	7	32	4	3
Balochistan	69	3	11	1	17
Source: Pakistan Social and Living Standards Measurement Survey 2014-15					

Main Source of Drinking Water (%): Rural

Region	Tap Water	Hand Pump	Motor Pump	Dug Well	Other (Spring Canal, Seller etc.)
Punjab	9	38	47	1	4
Sindh	7	63	12	8	9
Khyber PK	30	14	25	9	22
Balochistan	20	8	21	15	36
Source: Pakistan Social and Living Standards Measurement Survey 2014-15					

Households (%) Satisfied with Facilities and Services: Urban

Region	Basic Health	Family Planning	Schools	Veterinary Hospital	Agriculture Extension	Police
Punjab	59.79	84.94	97.36	73.36	73.92	54.81
Sindh	68.64	78.59	92.54	71.43	70.73	35.92
Khyber PK	61.88	74.91	97.27	58.78	69.65	50.64
Balochistan	38.32	52.97	91.17	34.48	50.77	50.30
Source: Pakistan Social and Living Standards Measurement Survey 2012-13						

Households (%) Satisfied with Facilities and Services: Rural

Region	Basic Health	Family Planning	Schools	Veterinary Hospital	Agriculture Extension	Police
Punjab	56.51	76.09	94.64	69.37	70.82	47.00
Sindh	48.65	70.02	84.14	53.12	50.61	39.71
Khyber PK	44.22	75.30	92.74	47.74	53.31	56.68
Balochistan	46.70	39.37	75.72	35.25	46.10	49.65
Source: Pakistan Social and Living Standards Measurement Survey 2012-13						

Ideologies of Political Parties in Pakistan

Political party	Politico economic ideology (left/right)	Religion political ideology (pro Religion/ liberal)	Popular policy slogan and demands	Association/ Inclination towards CPEC in Favor of;
Muslim League (N)	Right	Moderate Liberal	Pakistanis, Kashmir	Eastern Alignment
ANP	Left	Moderate Liberal	Pakhtoon Nationalism	Western Alignment
Jamat-e-Isalmi	Right	Religion Based	Islamization	Neutral/ Not Clear
JUI	Mid	Religion Based	Islamization	Western alignment
PPP	Left	Liberal	Economic Progress	Neutral/ Not Clear
MQM	Right	Liberal	Political Changes	Neutral/ Not Clear
Tehrik-e-Insaf	Right	Liberal	Political Changes	Western Alignment

Impact of the Inflows of Chinese Investment, Goods and Services on Pakistan Economy

4.1. Emerging& Transformation of Chinese Economy:

Since the late 1970s China has moved from a closed, centrally planned system to a more market-oriented one that plays a major global role - in 2010 China became the world's largest exporter. Reforms began with the phasing out of collectivized agriculture, and expanded to include the gradual liberalization of prices, fiscal decentralization, increased autonomy for state enterprises, growth of the private sector, development of stock markets and a modern banking system, and opening to foreign trade and investment.

In recent years, China has renewed its support for state-owned enterprises in sectors considered important to "economic security," explicitly looking to foster globally competitive industries. The restructuring of the economy and resulting efficiency gains have contributed to a more than tenfold increase in GDP since 1978. Measured on purchasing power parity (PPP) basis, China has been ranked as the largest economy in the world, surpassed the US in 2014. However, China's per capita income is below the world average.

After keeping its currency tightly linked to the US dollar for years, in July 2005 China moved to an exchange rate system that references a basket of currencies. From mid-2005 to late 2008 cumulative appreciation of the renminbi against the US dollar was more than 20%, but the exchange rate remained virtually pegged to the dollar from the onset of the global financial crisis until June 2010, when Beijing allowed resumption of a gradual appreciation. In 2015 the People's Bank of China (PBOC) announced it would continue to carefully push for full convertibility of the renminbi after the currency was accepted as part of the IMF's special drawing rights basket.

The Chinese government faces numerous economic challenges, including the growing demand for higher-wage job opportunities for the aspiring middle class, including rural migrants and increasing numbers of college graduates. Economic development has progressed further in coastal provinces than in the interior, and by 2014 more than 274 million migrant workers and their dependents had relocated to urban areas to find work. One consequence of population control policy is that China is now one of the most rapidly aging countries in the world. Deterioration in the environment - notably air pollution, soil erosion, and the steady fall of the water table, especially in the North - is another long-term problem. China continues to lose arable land because of erosion and economic development. The Chinese government is seeking to add energy production capacity from sources other than coal and oil, focusing on nuclear and alternative energy development.

Several factors are converging to slow China's growth, including debt overhang from its credit-fueled stimulus program, industrial overcapacity, inefficient allocation of capital by state-owned banks, and the slow recovery of China's trading partners. The government's 13th Five-Year Plan, unveiled in November 2015, emphasizes continued economic reforms and the need to increase innovation and domestic consumption in order to make the economy less dependent in the future on fixed investments, exports, and heavy industry.

The new government has signaled a greater willingness to undertake reforms that focus on China's long-term economic health, including giving the market a more decisive role in allocating resources.
Another important aspect of the Chinese domination in the business belongs to the Chinese monetary policy. It is the common intuitive in Western world that China dominates the international trade through its managed currency. China has always adopted a devaluation policy to increase its export. This artificial rate of exchange creates distortion in the international trade and it is considered a dumping through monetary mechanism. Though Chinese authorities have always criticized this thought, however, this question was highly debated at the time of China's induction in WTO. It was recommended by WTO that China should ensure the market mechanism in determination of the value of currencies.

4.2. Determinants of the Chinese Style of Business:

Policy makers in planned economies always consider the 'comparative advantages' in international trade to decide the investment in manufacturing sectors. Chinese economy is being transformed from centrally planned system to market mechanism. So, the diversification and shifting of resources will depend now on interactions of market forces.

In last decade China has decided to relocate its investment from textile spinning sector to manufacturing of textile machinery. However, now the frequent visits of Chinese delegations to Pakistan are assessing the possibility of joint ventures in made-up garments, weaving and spinning sectors. Chinese companies are willing to form strategic linkages with their Pakistani counter parts in spinning, grey cloth, polyester, weaving and garment industry. A concern is growing among the Chinese policy makers that their young generation is not ready to work on sewing machines of garments. There is a great possibility that China will invest in the garments manufacturing in Pakistan.

Another important aspect of the Chinese style of business belongs to the origin of Chinese corporate sector. Chinese corporate sector is being transformed from centrally controlled and publically owned state enterprises. The concerned of Chinese companies is not to maximize their wealth through dividend policy. To maximize profit and pay the higher dividend to the shareholders is not the prime objective of Chinese companies. The corporate sector in China may perform at much lower profit if the business activities ensure the sustainability and viability of business and facilitate the absorption of huge labor in China. The cost of labor in China is much lower than other countries. There is another criticism on Chinese style of businesses that Chinese companies pay less cost of labor due to provision of lesser facilities in comparison of their counterpart in industrialized countries. The difference is because of the compliance of labor regulations in capitalist countries.

Another question in relation to the apprehension about the Chinese domination in Pakistani business sector is the number of Chinese businesses registered in Pakistan. The initial investment of 46 billion dollars and accelerated inflows of investment will bring new enterprises. Some of them may be in the form of joint ventures. How many enterprises will be completely owned by Chinese? How many directors in the board belong to Pakistan in case of joint ventures? How many will be listed on Pakistan Stock Exchange? How many become the members of the trade organization in Pakistan? And what will be the impact on electoral colleges of trade organizations including chambers of commerce in Pakistan. All such questions should be properly addressed. In case of the Chinese origin (foreign) companies they may join the Overseas Chamber of Commerce (which is registered as 'association' with Director General Trade Organization -DGTO). However Chinese origin companies' joint ventures in Pakistan may provide them the right to register with the local chambers of commerce also.

4.3. Comparison and Cooperation Between China and Pakistan:

Not only from the transformation and history of economic systems point of view but economic fundamentals are also different for both the countries. Pakistan is still at the first stage of economic development (factor driven) while China has reached at efficiency driven stage from factor driven.
The magnitude of population and GDP are not comparable at all. China's per capita GDP is 7 times higher than Pakistan. China's share in world GDP (PPP) is greater than 14 Percent of world GDP.

USA is the biggest exporting partner for both the countries – China and Pakistan. China is one of the major exporting partners for Pakistan but Pakistan is not included in the major export partner of China. The picture is similar in the importing partner countries. China's total share in Pakistan exports is around 11 Percent but it is more than 37 percent imports from China. Imports from China has rapidly grown since 2007 after signing the FTA with China. Pakistan is facing more than $ 9 billion trade deficit with China which was less than $1 billion in 2002-03.

It astonishes that Pakistan trade facing huge trade deficit even after FTA with China. The analysis of 5 years trade before and after Free Trade Agreement with China is showing that balance of trade is in favor of China. Although Pakistan export is showing increasing trend but imports have increased manifold nearly four times of exports

From Chinese point of view Pakistan's share in Chinese imports is contestant at 0.1 percent for last ten years.

Both the countries are following entirely different pattern of monetary and fiscal policies, public debt as% of GDP is around 17 percent in China which is more than (-%) in case of Pakistan. The Central Bank policy interest rate and commercial banks' prime lending rate are much higher in Pakistan as compared to China which indicates ease in Chinese investment.

China is enjoying surplus balance of current account and has built more than $3 trillion foreign exchange reserves.

Tariff is the common problematic factor in imports despite joining the free trade regime. Pakistani importers are facing corruption at the borders and painful import procedures while delay because of the international transportation is major obstacle for importers in China. Both the countries have different kind of problems in building their competitiveness, enabling trade and enhancing level of productivity.

Market Size is one of the advantageous factor for Pakistan but China has the biggest market in world.

Based on the above-mentioned apprehensions, it was strongly recommended by FPCCI that before finalization the revised FTA and the other agreements regarding investment and mobilization of labor and entrepreneurs FPCCI must be taken into confidence and the final draft of all such agreements which belong to the private sector - directly or indirectly - must be decided after approval from the private sector representative body - FPCCI.

Stages of Economic Development

Countries	1	1-2	2	2-3	3
	Factor Driven	Transition from stage 1to stage 2	Efficiency Driven	Transition from stage 2 to stage 3	Innovation Driven
Pakistan	✓				
China			✓		

Key Macro-Economic Indicators

Indicators	Pakistan	China
Population (Million)	186	1,367
GDP (US$ billions)	270	11,385
GDP (current price) per capita	1,450	8,280
GDP (PPP) as share (%) of world total	0.6	14.3
Last Five Years Compound annual growth rate of real GDP (%)	2.3	7.6
Unemployment Rate (official statistics)	5.9	4.0
Inflation Rate	4.0	2.0
Exports $ billion	22	2,270
Imports $ billion	43	1,596

GDP - Composition, by Sector of Origin

Sectors	China%	Pakistan%
Agriculture	9	20
Industry	43	21
Services	48	59

China – Products

Agriculture Products
Rice, Wheat, Potatoes, Corn, Peanuts, Tea, Millet, Barley, Apples, Cotton, Oil seed, Pork, Fish
Industrial Products
Mining and ore processing, Iron, Steel; Aluminum and other metals, Iron, Steel, Coal, Machine building, Armaments, Textile and Apparels, Petroleum, Cements, Chemicals, Fertilizers, Consumer Products (including footwear, toys and electronics), Food Processing , Transportation equipment's, including auto mobiles, Rails cars and locomotives, Ships, Aircrafts, Telecommunication equipment's, Commercial space launch vehicles, Satellites

Labor Force - by Occupation (%)

Labor Force by Occupation	China	Pakistan
Agriculture	34	43
Industry	30	14
Services	36	43
*China Population below poverty line:6.1% **Pakistan Population below poverty line: 38.8%		

Major Export's Partners

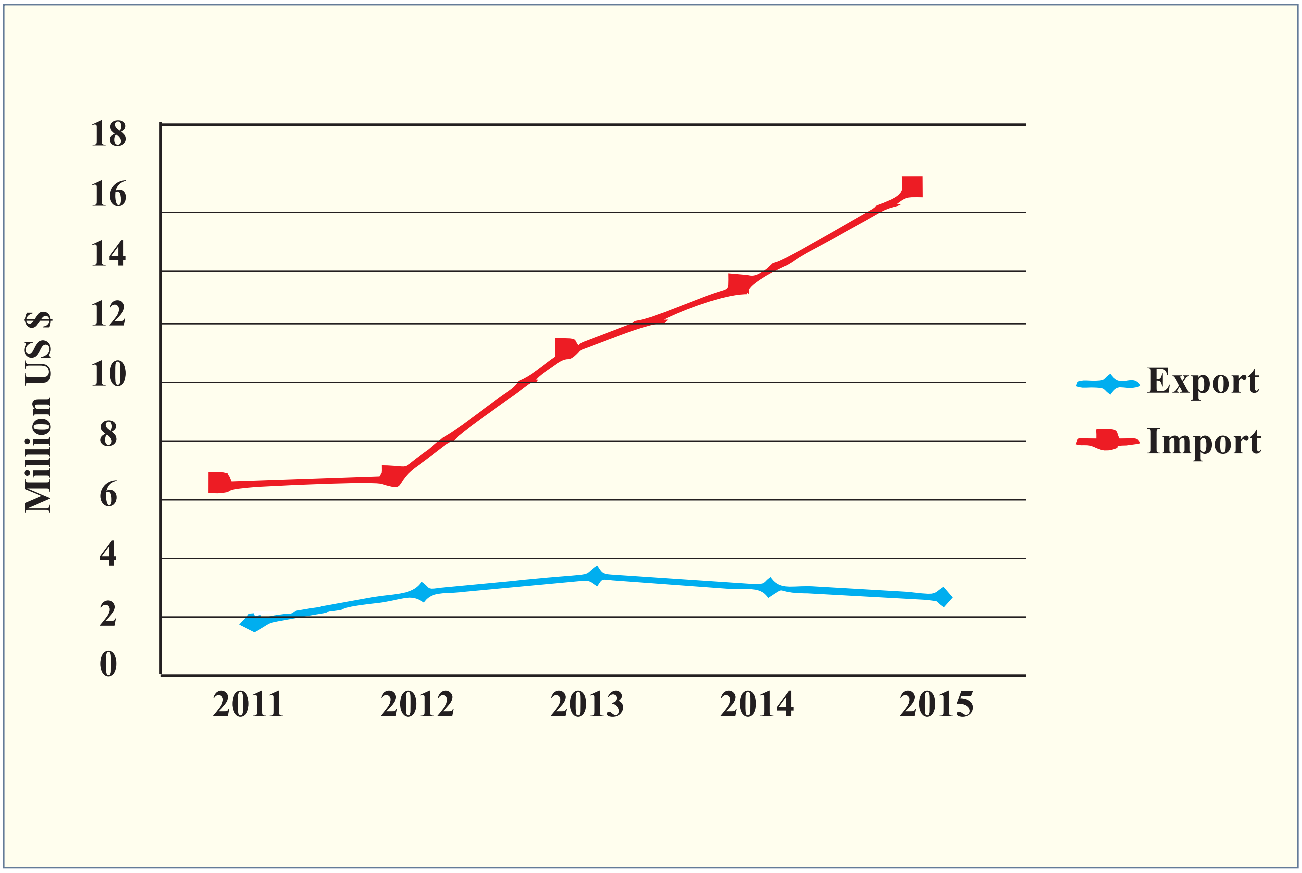
S.No.	China	%	Pakistan	%
1	USA	16.9	USA	13.1
2	Hong Kong	15.5	UAE	9.1
3	Japan	6.4	Afghanistan	9.1
4	South Korea	4.3	China	8.1

Major Import's Partners (%)

S.No	China	%	Pakistan	%
1	South Korea	9.7	China	28.1
2	Japan	8.3	Saudi Arabia	10.9
3	USA	8.1	UAE	10.8
4	Taiwan	7.8	Kuwait	5.6

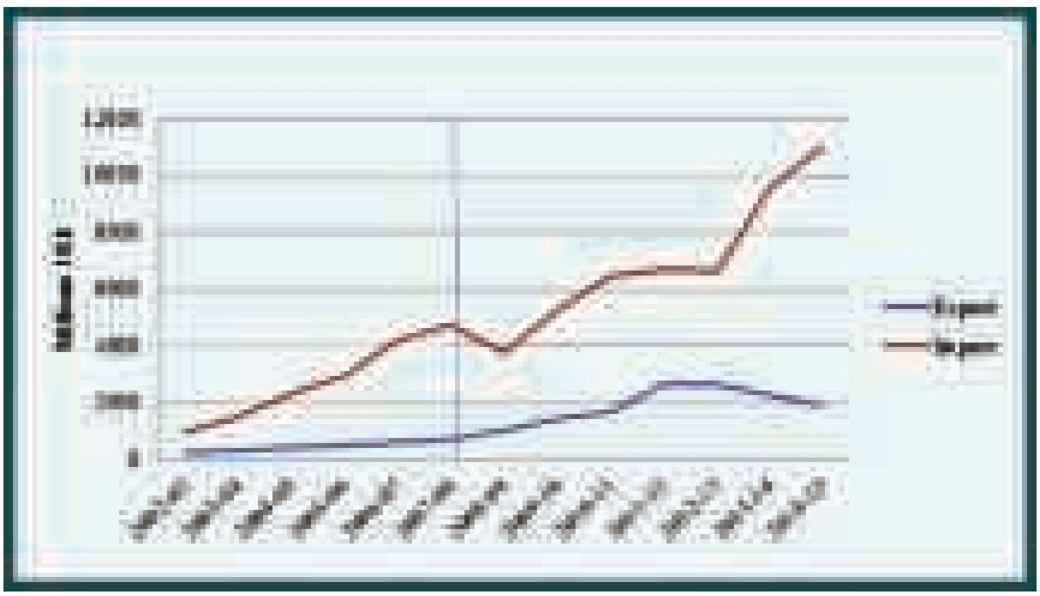
Pakistan- China Trade Relations (billion US$)

Years	Export	Import	Balance of	Total	%	Total	% Share
2011	1.68	6.47	-4.79	25.34	6.6	43.58	14.8
2012	2.62	6.69	-4.07	24.61	10.6	43.81	15.3
2013	3.19	11.01	7.82	25.12	12.7	43.78	25.1
2014	2.75	13.24	10.49	24.72	11.1	47.54	27.9
2015	2.47	16.48	-14.00	22.09	11.2	43.99	37.5



Trade Relations between Pakistan and China before and after FTAs

Year	Export	Import	Balance of Trade
Before FTA/PTA			
2002-03	260	957	-697
2003-04	300	1488	-1188
2004-05	436	2349	-1913
2005-06	507	2915	-2408
2006-07	614	4164	-3550
After FTA/PTA			
2007-08	727	4738	-4011
2008-09	998	3780	-2782
2009-10	1436	5248	-3812
2010-11	1679	6471	-4792
2011-12	2620	6688	-4068
2012-13	2652	6626	-3974
2013-14	2253	9588	-7336
2014-15	1935	11019	-9084



Before FTA/PTA **After FTA/PTA**

Pakistan's Share in Total Chinese Imports

Year	Chinese Imports ($ billion)	Pakistan's Exports to China ($ billion)	% of Chinese Imports
2006	791.5	0.5	0.1
2007	956.1	0.6	0.1
2008	1,132.6	0.7	0.1
2009	1,005.6	1.0	0.1
2010	1,396.0	1.4	0.1
2011	1,743.4	1.7	0.1
2012	1,818.2	2.6	0.1
2013	1,950.0	2.7	0.1
2014	1,958.0	2.3	0.1
2015	1,681.7	1.9	0.1
Source: ITC			

Fiscal Policy

Indicators	China	Pakistan
Revenues $ trillion	2.5	0.04
Expenditures $ trillion	2.7	0.05
Taxes and other revenues % of GDP	21.3	14.2
Budget surplus (+) or deficit (-)	-2.6	-0.01

Monetary Policy

Indicators	China		Pakistan	
	2014	2015	2014	2015
Public debt % of GDP	14.9	16.7	63.8	61.8
Central bank discount rate%	2.25	2.25	6.0	5.75
Commercial bank prime lending rate	5.6	4.4	9.7	6.46
Current account balance $ billion	347.8	219.7	-3.13	-2.627
Reserves of foreign exchange and gold: $ trillion	3.869	3.217	0.014	0.02
Debt - external: $ billion	874.5	946.9	62.18	60.91

Global Competitiveness Index(Rank)

Years	Pakistan	China
2015–2016 (out of 140)	126	28
2014–2015 (out of 144)	129	28
2013–2014 (out of 148)	133	29
2012–2013 (out of 144)	124	29

Components of Global Competitiveness Index

	Rank		Score(1-7)	
	Pakistan	China	Pakistan	China
Basic requirements (60.0%)	**131**	**28**	**3.4**	**5.4**
Institutions	119	51	3.3	4.1
Infrastructure	117	39	2.7	4.7
Macroeconomic environment	128	8	3.5	6.5
Health and primary education	127	44	4	6.1
Efficiency enhancers (35.0%)	**107**	**32**	**3.6**	**4.7**
Higher education and training	124	68	2.8	4.3
Goods market efficiency	116	58	3.9	4.4
Labor market efficiency	132	37	3.3	4.5
Financial market development	99	54	3.5	4.1
Technological readiness	113	74	2.9	3.7
Market size	28	1	5	7
Innovation and sophistication factors (5.0%)	**89**	**34**	**3.4**	**4.1**
Business sophistication	86	38	3.7	4.3
Innovation	89	31	3.1	3.9

The Global Competitiveness Index in Details

Indicator	Pakistan	China
Institutions	Rank (out of 140)	
Property rights	118	51
Intellectual property protection	112	63
Diversion of public funds	85	50
Public trust in politicians	99	28
Irregular payments and bribes	116	67
Judicial independence	82	67
Favoritism in decisions of government officials	75	29
Wastefulness of government spending	1021	24
Burden of government regulation	86	26
Efficiency of legal framework in settling disputes	108	50
Efficiency of legal framework in challenging regs.	101	66
Transparency of government policymaking	125	36
Business costs of terrorism	139	86
Business costs of crime and violence	130	60
Organized crime	132	76
Reliability of police services	126	60
Ethical behavior of firms	98	61
Strength of auditing and reporting standards	117	80
Efficacy of corporate boards	121	105
Protection of minority shareholders' interests	112	71
Strength of investor protection, 0–10 (best)	21	110
Goods Market Efficiency		
Intensity of local competition	98	36
Extent of market dominance	110	28
Effectiveness of anti-monopoly policy	106	36
Effect of taxation on incentives to invest	66	50
Total tax rate, % profits	50	128
No. procedures to start a business	116	123
No. days to start a business	94	117
Agricultural policy costs	103	16
Prevalence of non-tariff barriers	106	78
Trade tariffs, % duty	137	117
Prevalence of foreign ownership	116	74

The Global Competitiveness Index in Details

Indicators	Pakistan	China
Labor Market Efficiency	Rank (out of 140)	
Cooperation in labor-employer relations	131	62
Flexibility of wage determination	114	73
Hiring and firing practices	48	17
Redundancy costs, weeks of salary	115	117
Effect of taxation on incentives to work	84	58
Pay and productivity	95	20
Reliance on professional management	122	55
Country capacity to retain talent	70	30
Country capacity to attract talent	96	27
Women in labor force, ratio to men	136	60

Ranking in Trade Enabling Index

Key Indicators	Pakistan	China
	Rank (out of 138)	
Merchandise Trade		
Trade openness (imports + exports)/GDP	135	108
Share of world trade (%)	62	2
Total Exports	67	1
Total Imports	56	2
Enabling Trade Index	114	54
Market Access	133	119
Border Administration	72	48
Infrastructure	94	36
Operating Environment	116	37

Value China Indicators

Share % of Merchandise Trade				
Indicators	Exports		Imports	
	Pakistan	China	Pakistan	China
Capital Goods	2	30	11	14
Intermediate Goods	41	40	58	77
Food and beverages (Industrial)	3	0	6	4
Industrial supplies (Primary and Processed)	38	22	33	35
Parts and Accessories	0	17	5	21
Fuels and Lubricants	0	0	14	17
Consumer Goods	56	29	6	4
Food and beverages (consumer)	14	2	3	2
Transport equipment and consumer goods	42	27	3	3
Passenger Motor Cars	0	0	2	3
Others	1	1	23	2

The Most Problematic Factors for Exporting

Pakistan	China
Identifying potential markets and buyers	Identifying potential markets and buyers
Access to trade finance	Technical requirements and standards abroad
Inappropriate production technology and skills	Access to imported inputs at competitive prices

The Most Problematic Factors for Importing

Pakistan	China
Tariffs	Tariffs
Corruption at the border	Burdensome import procedures
Burdensome import procedures	High cost or delays caused by international transportation

Leading Companies of World Interested to Invest in Pakistan:

- CAMPAK Business Group, Turkey
- Gazprom, Russia
- RT Global Resources part of the Russian State Corporation Rostec
- KFW State Development Bank, Germany
- Alstom, Schneider Electric, Vinci, Sunberg, French
- Lotte Group, South Korea
- Lotte Engineering & Construction, South Korea
- LOTTE Asset Development Company, South Korea

Global Companies Participated in the Pakistan Investment Conference 2015:

- General Electric, USA
- MAI Resources International (Switzerland) AG,
- Nor Consult, Norway
- STFA Group, Turkey
- China Gezhouba Group Corporation, China
- Sino Hydro Group China
- Credit Suisse, Singapore
- Edotco, Malaysia
- Al-Jabriya Group, Bahrain
- Swiss Kuwait SME Group, Kuwait
- Noor Financial and Investment Company, Kuwait
- Korea Importers Association, Korea
- Bakri Int'l Energy Co., Kuwait
- Al-Wasmiya Group Bahrain
- Eagle Power Sri Lanka
- M & M Enterprises, USA
- Excelerate Energy, USA
- Zam Inter, Moscow, Russia
- Asia Group of Industries, Bangladesh
- Kuwait Gulf Group, Kuwait
- Juksan Machinery Co. Ltd. Korea

Viability of Financial Transactions, Comparison of Monetary and Fiscal Environment

5.1 Investment and Financial Environment in China and Pakistan

One of the most important concerns of China – Pakistan economic collaboration belongs to the control over financial resources and the governance of corporate sector and financial markets. Through the experience of Pakistani investors in portfolio investment and dealing in stock markets is much higher than Chinese counterpart. South Asian investors have 200 years history of trading in corporate equities and managing the stock exchange practices. Historically speaking South Asian stock markets have been considered the world's best markets. The corporate sector in Pakistan has more than 200 years' experience of the legislation of corporate laws, compliance of corporate regulation, managing the financial transactions, following the best accounting standards and policies, audit procedures, financial management and best practices in financial markets, while China adopted the market economy since 1990. Chinese corporate sector and financial markets are the destinations of the transition of its centrally controlled economy.

After transformation of its centrally controlled planning into market based economy Chinese has successfully developed the biggest financial market in terms of trading of securities and market liquidity. Now it holds more than $17 trillion financial assets and more than 70 percent of these financial assets belongs to private sector equities and bank deposits (though more than 50 percent is in the form of bank deposit). More than $10 trillion bank deposits in Chinese bank require their utilization through viable investments, while Pakistan holds financial assets of $185 billion out of which 50 percent belongs to public debt securities, which indicates the public money is being utilized in Pakistan to finance its budget deficit. This is the pivot point to understand the patterns of control over financial markets and corporate sector in Pakistan in near future

China's position is much better than Pakistan in all components of financial development including business environment, market access, banking services, NBFIs, and professionalism in business sector. Banking system stability is the only component where Pakistan's rank (22nd out of 62) is higher than China's rank (placed at 55). How Pakistan maintains this supremacy over China it depends on the autonomy and independency of monetary and banking policy in Pakistan

5.2 Source of Financing

The total worth of all CPEC related projects is greater than accumulated inflow of foreign Direct Investment (FDI) to Pakistan since 1970, which is equal to 17 percent of Pakistan's 2015 Gross Domestic Product (GDP). It is higher than the equities listed in Pakistan stock exchange. From where this huge investment will be financed and how it will impact the financial markets in Pakistan. It can be access through comparison of financial market's comparison of China and Pakistan

Several evidences indicate that China has become a capital exporting nation. Chinese companies have surplus liquidity and are looking for investment destinations. This view is confirmed through the pattern of financial assets holding which indicate more than 10 trillion dollars in Chinese banks.
China may use its surplus liquidity to finance CEPEC related projects. Some sources have indicated that the interest rate for CPEC related loans provided by China would be higher than normal. Pakistan had unwittingly accepted loans that would be offered at very high rates of interest, although the actual interest rates were negotiated prior to acceptance, and for most projects will be 1.6 percent.

In discussion on indigenous participation in the governance and financing of CPEC related projects it was recommended by FPCCI Committee on CPEC that the listing of CPEC related businesses on 'Pakistan Stock

Exchange' should be mandatory to ensure the equity participation of Pakistani investors. The current 'Saving-to-GDP Ratio' in Pakistan is around 14 percent. It envisages that the equity for CPEC related projects may be generated by converting existing investments into CPEC related projects. In this case it may create selling pressure on existing securities, or real estates or gold etc. So, prices of property, gold and equities may decline in Pakistan.

Proposed infrastructure projects are worth approximately $11 billion, and will be financed by heavily-subsidized concessionary loans at an interest rate of 1.6% that will be dispersed to the Government of Pakistan by the Exim Bank of China, China Development Bank, and the Industrial and Commercial Bank of China.

5.3 Project Financing: Description of Loans and Grants

Approximately $11 billion worth of infrastructure projects being developed by the Pakistani government will be financed by concessionary loans at the rate of 1.6 percent rate of interest. The loans are to be dispersed by the Exim Bank of China and the China Development Bank and subsidized by the government of China. It is noteworthy that loans for previous Pakistani infrastructure projects financed by the World Bank carried an interest rate between 5 percent and 8.5 percent while interest rates on market loans are approximately 12 percent.

The loan money would be used to finance projects which are planned and executed by the Pakistani government. The extra cost of the infrastructure related project will be financed by the government of Pakistan through the Public Sector Development Program.

The Orange Line of the Lahore Metro is regarded as a commercial project so does not qualify for the Exim Bank's 1.6 percent interest rate. It will be financed at a 2.4 percent The Pak China Cross Border Optic Fiber Project will be constructed using concessionary loans at an interest rate of 2 percent.

The government of China has announced that concessionary loans for several projects in Gwadar totaling $757 million would be converted 0 percent interest loans. These projects include: the construction of the $140 million Eastbay Expressway project, installation of breakwaters in Gwadar which will cost $130 million, a $360 million coal power plant in Gwadar, a $27 million project in Gwadar harbour, and a $100 million 300-bed hospital in Gwadar. Pakistan will only repay the principle on these loans.

The $230 million Gwadar International Airport project will not be financed by loans; it would instead be constructed by grants which the government of Pakistan will not be required to repay.

Energy projects of $15.5 billion worth will be constructed by joint Chinese-Pakistani firms, rather than by the governments of either China or Pakistan. The Exim Bank of China will finance those investments at 5–6 percent interest rates, while the government of Pakistan will be contractually obliged to purchase electricity from those firms at pre-negotiated rates. Balloki Power Plant developed by the private sector investment by Harbin Electric and Habib Rafiq also included in this category. The Chinese government owned banks will finance this project at an interest rate of 5 percent, while the Pakistani government will purchase electricity at the lowest bid rate of 7.97 cents per unit.

Though, E-35 expressway is considered to be a crucial part of CPEC route between Gwadar and China, it will not be financed by CPEC funds. The project will instead be financed by the Asian Development Bank.

Similarly, the N70 project is not officially a part of CPEC but will connect the CPEC's Western Alignment to the Karachi-Lahore Motorway at Multan. The project will be financed as part of a $195 million package by the Asian Development Bank announced.

The United Kingdom's Department for International Development has announced a $72 million grant to Pakistan for roadway improvements in the province of Balochistan, thereby reducing the total Asian Development Bank loan from $195 million to $123 million.

The M-4 Motorway between Faisalabad and Multan will not be financed by the Chinese government as part of CPEC. It will be partially financed by the Asian Infrastructure Investment Bank, and will be co-financed along with the Asian Development Bank for a total of approximately $275 million. Portions of the project will also be funded by a $91 million grant announced by the government of the United Kingdom towards the construction of the Gojra-Shorkot section of the M4 Motorway project.

Patterns of the Holding of the Financial Assets
(US$ billion)

Type	Pakistan	China
Public Debt Securities	90	973
Private Debt Securities	0.0	1,479
Banking Deposits	57	10,341
Equity Securities	38	4,763
Total	185	17,555

Financial Development Indicators
(Rank out of 62)

Indicators	Pakistan	China
Financial Development Index	58	23
Institutional Environment	58	35
Business Environment	58	47
Financial Stability	50	20
Banking Financial Services	54	17
Non-banking Financial Services	55	4
Financial Markets	38	21
Financial Access	61	41

Magnitude of Financial Sector in Economy

Indicators	Pakistan	China
Financial sector liberalization	57	44
Equity market development	47	11
Bond market development	30	24
Private credit to GDP	56	15
Bank deposits to GDP	46	40
Stock market capitalization to GDP	50	17
Stock market value traded to GDP	43	5
Number of listed companies per 10,000 people	43	55
Availability of financial services	80	61
Affordability of financial services	83	48
Ease of access to loans	90	21
Venture capital availability	78	16

Professionalism in Business Management

Indicators	Pakistan	China
Corporate governance	52	31
Efficacy of corporate boards	52	44
Reliance on professional management	53	32
Willingness to delegate	49	33
Financing through local equity market	69	44

Mitigation of Financial Risk

Indicators	Pakistan	China
Currency stability	27	7
Banking system stability	22	55
Non-performing bank loans to total loans	57	6
Private credit bureau coverage	52	53
Public credit registry coverage	17	2
Soundness of banks	99	78
Regulation of securities exchanges	93	52
Legal rights index	93	80

Market Value of Publically Traded Share
(US$ Trillion)

Country	Years			Ranking
	2013	2014	2015	
Pakistan	0.04	0.03	0.04	55
China	6.5	6	8.2	02

Stock of Direct Foreign Investment at Home
(US$ Trillion)

Country	Years		Ranking
	2013	2014	
Pakistan	0.03	0.03	66
China	1.1	1.2	07

Stock of Direct Foreign Investment Abroad
(US$ Trillion)

Country	Years		Ranking
	2013	2014	
Pakistan	0.002	0.002	78
China	0.9	1	12

Business Environment, Transparency and Corrupt Practices

6.1. Problematic Factors in Doing Business in Pakistan

Several commentators in Pakistan have criticized the project's finances as being shrouded in mystery, even it is suggested that "there is far too much secrecy and far too little transparency.

The problematic factors for doing business in Pakistan are absolutely different from China. The higher tax rates, corruption and inflation are the top most problematic factors for doing business in Pakistan, though rate of inflation has significantly reduced during the last three years. Though global recession decreasing world oil prices and import of consumers products from China have played important role in reducing inflation in Pakistan. The insufficient capacity to innovate, access to finding and inefficient public bureaucracy are the major hurdle in doing business in China.

The Most Problematic Factors for Doing Business

Pakistan	China
Corruption	Insufficient Capacity to innovate
Tax rates	Access to financing
Inflation	Inefficient Government Bureaucracy

Obstacles in Business

(Rank out of 62)

Indicators	Pakistan	China
Cost of doing business	45	42
Corruption perceptions index	57	39

The problematic factors in doing business in Pakistan and particularly the corruption by policy makers through misuse of public funds, favoritism and bribes lead the mistrust on international agreements and foreign projects.

6.2. Fear of Corrupt Practices and Transparency

History of economic development with the help of foreign entrepreneurs and inflow of capital is full of the example of corrupt practices in the policy making and implementation stages. Leading economic strategists of the international development firms have shared their experiences that how the economic superpowers have exploited the developing nations. The domination of foreign investment in the political and economic decision making is limited not only to 'Banana Republics'; several examples of such hegemonic practices are available in developing world also. Over estimation in the energy demand had increased the cost of capital and energy prices in Indonesia, Petro Dollar mechanism has increased financial dependency of Saudi Arabia developing works in case of Suez and Panama canals have restricted the decision making powers of the governments in Egypt and Panama and developing strategies of several countries at their take off stages indicate the hegemony by western developing firms. Such experiences create fears in the development planning with the help of foreign capital. The exploitation of the economic resources of host countries by foreign partners is not possible without the help of the politicians and rulers of the host countries. The lack of farsightedness and prudence in the statesmen and the element of corrupt practices support the foreign dominance and hegemony. Unfortunately such apprehensions are exist in Pakistan, where the lacking of trust on politicians and policy makers, favoritism in decision making and briberies and unlawful payments have been observed by the international think tanks. The investment in off shore companies and panama scandal are the worldwide examples of such practices.

Even domestic transaction and policies are not exempted from such types of corruption.The way in which the system damages the economic interests of common peepholes is illustrated by the fact that PKR 753 billion has been transferred to the landlords from the public through an increase in prices of agricultural commodities, including PKR 230 billion in wheat price rises during first 3 years of the present decade. It is one of the examples that how political pressures transformed into anti public policies. Such policy bias is a part of corrupt practices and it is an on-going process and it leads to lack of trust in politicians and policy makers.

In analysing public policy through international comparisons, it is notable that Pakistan is ranked 91st in public trust of politicians and 97th in likely favouritism in decision making of government officials. It is ranked at 92nd in likely diversion of public funds to companies, and at 97th in irregular payments and bribes. These indicators are sufficient to conclude that public policy in Pakistan cannot be considered a reliable tool for sustainable development.

The construction of China Pakistan Economic Corridor cannot be exempted from this perception. Despite the extreme importance of CPEC, there are several questions in public minds and investors regarding the transparency in the contracts of this gigantic plan.

Public Trust on Politicians and Use of Public Money

(Ranking based on 139 Countries)

Country	Diversion of Public Funds		Public trust of politicians	
	Score	Rank	Score	Rank
New Zealand	6.6	1	5.6	5
Sweden	6.5	2	5.8	3
Singapore	6.4	3	6.4	1
Denmark	6.4	4	5.4	10
Finland	6.3	5	5.1	13
Luxembourg	6.1	6	5.8	4
Switzerland	6.1	7	5.2	12
Hong Kong SAR	6.0	8	4.7	16
Norway	5.9	9	5.6	6
Netherlands	5.9	10	5.0	14
United Kingdom	5.8	11	3.2	55
Qatar	5.8	12	6.1	2
China	3.8	55	4.3	22
Pakistan	3.0	92	2.3	91
Source: World Economic Forum				

Diversion of public funds indicates the diversion of public funds to companies, individuals, or groups due to corruption. The ranking is based on Likert scale where'1' means 'very common' and '7' mean 'never', while Public trust of politicians indicates the level of public trust in the ethical standards of politicians in a country, where '1' indicates 'very low' and '7' for 'very high'.

In measuring favouritism in decisions of government officials, '1' shows 'always favouritism' while '7' shows 'never favouritism'. Irregular payments and bribes indicator represents extra payments or bribes connected with imports and exports, public utilities, annual tax payments, awarding of public contracts and licenses and obtaining favourable judicial decisions. Here '1' means very common and 7 means never occurs.

Favoritism and Bribes
(Ranking based on 139 Countries)

Country	Favouritism in decisions of government officials		Irregular payments & Bribes	
	Score	Rank	Score	Rank
Sweden	6.0	1	6.6	2
New Zealand	5.7	2	6.7	1
Singapore	5.6	3	6.6	3
Qatar	5.4	4	6.0	17
Denmark	5.4	5	6.5	5
Netherlands	5.2	6	6.1	13
Norway	5.2	7	6.4	7
Rwanda	5.1	8	5.6	27
Finland	5.0	9	6.5	4
Switzerland	4.8	10	6.3	10
Luxembourg	4.8	11	6.3	9
Tunisia	4.7	12	5.4	33
China	3.8	37	4.1	63
Pakistan	2.8	87	3.0	117
Source: World Economic Forum				

6.3. Transfer of Ownership and Management of Public Sector Enterprises to Chinese Firms:

The growing role of Chinese investors and entrepreneurs in the public sector service providing institutions indicate that management of public services are being transferred to Chinese firms by Federal and Provincial governments. After buying locomotive from China now some major operations in railways are being transferred to Chinese firm. Sindh government is considering Chinese management in Thar coal development and waste management system in Karachi. The most critical is the acquisition of K-electric by Shanghai Electric Power Company.

According to public sources information Shanghai Electric Power Company will buy a majority stake in Pakistan's K-Electric for US $ 1.77 billion in the biggest acquisition in the country for a decade in a sign of china's growing interest in the South Asian nation as part of its " One Belt", One Road" initiative. K-Electric is Pakistan biggest electricity company supplying power to 2.5, million customers in and around Karachi, the country's biggest and wealthiest city. This deal created several question marks in the minds of Pakistani investors and businessmen:

- Does SEP regard KE a collateral beneficiary of the China Pakistan Economic Corridor (CPEC) initiative by default, or would SEP at some stage ask for KE and its upcoming projects to be formally included in the CPEC list?

- SEP does not have any management experience in the electricity distribution and supply sector, basically a power generation company.

- SEP treat KE as a dumping ground for its own products, services and people without going into any competitive tendering.

- A part from the US $ 1.5-2.0 billion that SEP is reportedly paying Abraaj Capital to take over its 66 percent management stake in KE.

- Why NEPRA is not allowed the model of unbundling of KE which is already in place in rest of the country that there are separate generation, transmission and distribution companies to allow greater transparency.

- Why is Government of Pakistan/PC not insisting on its statutory right to chip along and also sell to SEP its residual minority 25% stake in KE worth US $ 550-570 million at the same price?

- In KE annual accounts, the company has disclosed a disputed contingent liability of approximately Rs.25 billion (US $ 500 million) towards late payment/interest claims of SSGC and NTDC. There are rumors in the market that these two claims are now being settled at Rs, 25 billion which is 50% to help in facilitating the pending SEP Abraaj Capital's Sale transaction.

- KE is entering into a new power purchase agreement with NTDC/WAPDA to receive approximately half of the existing 650 MW electricity supply from national grid and at a high marginal cost for next five years.
- Has Government of Sindh officially been taken on board with this forthcoming change in management control at KE and the related conditionality's given the strategic importance of this utility company in maintaining law & order etc. in Karachi.

- In the best interest of transparency, would Government of Pakistan make available all of the important terms and conditions of this proposed transaction for a public hearing before granting its NOC?

Other than the transfer of Pakistani institution to Chinese firms, there are large numbers of projects which will be managed and operated by Chinese investors. In the presence of current practices in Pakistan, transfer of public owned institution to Chinese firm, and inflow of funds from China because of ease in monetary policy and excess liquidity in Chinese capital market, the careful and prudent policy measures are required in Pakistan. The Planning Commission in coordination of the Ministry of Finance and the State Bank of Pakistan can initiate those policy measures. Federation of Pakistan Chambers of Commerce and Industry (FPCCI) which is representative of private sector and domestic industry can provide its recommendation on the basis of first hand information regarding the issues in domestic market and ground realities

China Pakistan Economic Corridor -Summary of Investments

Project Name	Type	Classification	Completion date	Est. Cost ($ billion)
Jetty and infrastructure at Gaddani	Early harvest	Infrastructure	Quarter 4, 2017	1.2
10* 660 MW Coal-based power plants at Gaddani	Same as above	Power	Quarter 4, 2017	9.2
Power evacuation from Gaddani to National Grid	Same as above	Power	Quarter 4, 2017	3
2*660 MW coal-based power plants at Port Qasim	Same as above	Power	Quarter 4, 2017	1.8
3.5 MT/A Thar coal mining project, Block-II SECMC	Same as above	Mining	Sep-17	0.9
2*330 MW Thar coal power plants	Same as above	Power	Sep-17	0.9
1100 MW Kohala Hydropower	Same as above	Power	19-Mar	2.3
720 MW Karot Hydropower	Same as above	Power	2018 or 2019	1.4
873 MW Sukki Kanari Hydropower	Same as above	Power	2018 or 2019	1.08
100 MW wind power project blockII	Same as above	Power	Oct-16	0.15
UEPL 100 MW Wind	Same as above	Power	Mar-16	0.15
2*660 MW coal-based power plants at Sahiwal	Same as above	Power	Mar-17	1.6
2*660 MW coal-based power plants at Sheikupura	Same as above	Power	-	-
100 MW Solar power, Bahawalpur	Same as above	Power	Dec-14	0.15
Karakoram highwah Phase-II, Riakot-Islambad	Same as above	Infrastructure	17-Dec	3.79
Karachi-Lahore motorway (multan to Sukkur)	Same as above	Infrastructure	17-Dec	2.46
Rehabilitation of Karachi - Lahore - PeshawarRailway track	Same as above	transport	17-Dec	3.6
Havelian dry port construction	Same as above	Infrastructure	17-Dec	0.4
Gawadar East bay expressway construction	Same as above	Infrastructure	16-Sep	0.12
Pak-China technical and vocational institute at Gawadar	Same as above	Training & Education	Jun-16	0.94

Project Name	Type	Classification	Completion date	Est. Cost ($ billion)
Breakwater construction, Gwadar	Same as above	Infrastructure	Apr-16	0.13
Dredging and berthing of channels and areas	Same as above	Infrastructure	16-Jan	0.28
Infrastructure development for EPZA & GEIDA, Gwadar	Same as above	Infrastructure	17-Jun	0.34
Fresh water facility and supply development, Gwadar	Same as above	Infrastructure	17-Jun	1.3
China-Pak friendship hospital, Gwadar	Same as above	Infrastructure	17-Jun	0.01
Gwadar International Airport	Same as above	Infrastructure	17-Jun	0.23
Orange Line Metro Train, Lahore	Same as above	transport	16-Sep	1.6
China-Pak optical fibre cable	Same as above	Communication	2017	0.44
2*660 MW coal-based power plants at R.Y.Khan	Prioritized	Power	-	1.6
2*660 MW coal-based power plants at Sahiwal	Prioritized	Power	-	1.6
2*660 MW coal-based power plants at Muzaffargarh	Prioritized	Power	-	1.6
6.6 MT/A SSRL Thar coal mining project	Prioritized	Power	-	1.2
50 MW Sunec Wind Power Plant	Prioritized	Power	-	0.14
50 MW Sachal Wind Power Plant	Prioritized	Power	-	0.13
50 MW Dawood Wind Power Plant	Prioritized	Power	-	0.13
Free Trade Zone, Gwadar	Prioritized	Infrastructure	-	-
DTMB Pilot Project, Murree	Prioritized	transport	-	-
Total	**-**	**-**	**-**	**45.87**