

CPEC.2

COOPERATION BEYOND THE CORRIDOR

Brainstorming Note # 1

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CPEC has been successfully launched; and several of its early harvest projects have already been completed. Approximately 10 billion \$ worth projects have already been completed and started to function. These include nearly 7 billion \$ worth of energy projects. Nearly 3 billion \$ worth of roads and railway related projects are completed or are near completion. Projects with roughly the same value, 10 billion \$ are on the ground. One can safely say that roughly half of the financial outlay committed is now on the ground.

The focus of this phase of CPEC was on infrastructure, that is, energy and connectivity infrastructures. But infrastructures are a means and not an end in themselves. In fact, infrastructures which are not put to use can become a heavy financial burden. They are a supply side stimulus. A matching demand from the users of infrastructure must be hastened. So far, the energy or power supplied by CPEC energy sector has been rapidly consumed by the domestic household, commercial and industrial sector. However, new power plants are being commissioned every month. It is time we move on to focus on sectors beyond connectivity and energy.

The most prominent sectors which are to follow are; Industry (including manufacturing and agro-industry); and Human Resource infrastructure.

China's contribution to CPEC was very helpful in the first phase because we had a list of projects listed which needed a financial and technical partner. The Chinese required and were seeking exactly that kind of a customer. CPEC clicked because both were in need of each other. The deal was further accelerated by the strategic needs of the two sides regarding the connectivity of Western China and Central Asia to the Indian Ocean via the Arabian Sea.

There is a bit of emptiness once these two objectives are achieved. China is neither a formal colonial power, nor (at least so far) a global governance leader like the World Bank or IMF. It is not, and should not be, in the business of providing long term plans to Pakistan. The long term plan (LTP) is in many ways a wrong concept to use. It suggests as if it is a Long Term Plan for Pakistan. It is, and should remain that way, only a long term plan for China's economic cooperation with Pakistan

I suggest that we refer to the so called LTP as CPEC.2 and while keeping the existing acronym, rename the CPEC.2 as China Pakistan Economic Cooperation.

Project CPEC will soon complete its first five years. It is time we take stock of phase one and move on a phase two. The CPEC.2 should define itself as "Economic Cooperation beyond the Corridor". To begin with, the corridor aspect of CPEC.1 was important but overplayed. In some ways it stoked the old memories of a pre-colonial age of prosperity in South Asia and the Eurasian land-mass. Both China and Pakistan loved to reminisce about it. In practice 'the corridor' referring to the road connecting Western China to Gwadar in the Arabian Sea constituted less than 10% of the initial financial outlay of CPEC.1. The remaining 90% was devoted mainly to energy projects, urban transport systems and railways which were only partly related to the so called corridor.

Despite the misnomer, the hype about the corridor worked. It turned CPEC.1 into a 'charismatic' figure, with same benefits and other fall-outs. Now that the phase one, specially the corridor activity, is close to completion, we must go beyond it. The focus of our concern now should be: now that we have the energy supply and a connectivity which can be used to the benefit of mobilizing

industrial and agro, specially agro-industrial capacity of over 200 million Pakistanis, for promoting both domestic and global business.

In so doing, the continued cooperation with China can be highly beneficial for 3 reasons:

- 1- China's recent experience, of the last 25 years, is exactly the type of experience we need to learn from. They were at our per capita level 25 years ago, and are now at nearly three times of ours. This is unlike our previous economic partners. The UK, USA and even Japan, our three leading partners over the last 70 years, had not seen conditions similar to us for over a century, except in their colonies. In nutshell, the China experience is far more relevant compared to the models we had been exposed to earlier.
- 2- As a newcomer to world economic leadership, China is a more vigorous and keen partner. Moreover it shares strategic interests with Pakistan. The position of our previous economic partners was more mixed and complex. More importantly, all three are post-colonial, post-industrial powers. Pakistan needs the experience of a recently industrialized economy, rather than that of post-industrial economies, as the key technical partner. Of course we need to work with and seek cooperation from a variety of sources. But China is more suited to our needs as a key partner.
- 3- China is passing through a phase in its economic life during which it has the financial resources, a need and a desire to invest in regional and global economy. This situation of the Chinese economy will not last forever. China has a motive and the means to cooperate with Pakistan. This resolve has a proven track record of CPEC.¹ over the last few years. We should

seize the moment and move to a phase two of CPEC. Let us call it CPEC.2. The CPEC.2 should go beyond the two infrastructure pillars of development, namely Connectivity and Energy, and refocus now towards Industry, including manufacturing and agro-industry. In today's technologically sophisticated era, industry is unthinkable without a very vibrant skill and knowledge sector. These two sectors should comprise the heart of CPEC.2. But the CPEC.1 was rapidly organized and successful because Pakistan had already identified its needs: around 35 billion USD energy projects for an energy hungry country and another 15 billion USD for building, upgrading or restoring a vast, but poorly connected country. The phase two requires the same. We should not look up to China to provide to us a list of industrial projects and a list of skill and knowledge enterprises. That would not work. Nor is it respectable in any way. It is high time we say good-bye to seeking donor money to draw the so called 'homegrown' plans. The homegrown plans must come from our own initiative, and with our own money, or money borrowed under market conditions. Subsidized planning cannot deliver independent and honorable execution.

Bottom-line: Having demonstrated success in the early harvest projects of CPEC, Pakistan must rapidly move into a phase two of CPEC. We might call it CPEC.2 and name it as China Pakistan Economic Cooperation, a cooperation which goes beyond the Kashghar to Gawador 'Silk-road' corridor, and the life-saving energy projects to resuscitate an enfeebled Pakistan.

The focus of our attention is proposed to be the following:

FOR THE COUNTRY AS A WHOLE

(to be added)

FOR THE ACADEMIA AND UNIVERSITIES

(to be added)

(End of Note)