

CPEC.2

COOPERATION BEYOND THE CORRIDOR

Brainstorming Note # 2

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Concept Paper

CPEC-2

COOPERATION BEYOND THE CORRIDOR

Key Points:

- 1- It is time to start focusing on China Pakistan Economic COOPERATION BEYOND THE CORRIDOR. I would even suggest a formal change in the name and rename CPEC as **China Pakistan Economic Cooperation (CPEC): Framework for Phase 2 (CPEC.2)**. The Chinese side is quite pragmatic in such matters. After all, they recently changed the name of OBOR (One Belt One Road) to BRI (Belt and Road Initiative).
- 2- It goes without saying that what is really important is not the name, but the substance. The crux of the real substantive shift in focus should be: FROM INFRASTRUCTURE TO INDUSTRY. However, this does not mean that we should now ignore infrastructure. Instead the intention is to shift from the 'life-saving focus on Infrastructure' to the overall health of the Economy. For many years, Pakistan's economy lay in 'Intensive Care Unit' due to critical shortage of Energy. While CPEC became recognized in our imagery as a corridor, partly due to the mythical fascination with the historic Silk Route, the bulk of the basic commitment (nearly 90%) went into Energy projects. The energy projects are also the early harvest projects which are coming to fruition. Once the load-shedding nightmare recedes in our memory, we will be ready to look beyond the intensive care unit to the real life.

THE HARD REALITY OF PAKISTAN ECONOMY: Pre-mature De-industrialization.

We must come to grips with the hard reality of Pakistan's pre-mature de-industrialization. While Pakistan was in the energy short Intensive Care Unit, it lived on the illusion of being in a post-industrial state. Much of our talk over the last ten years is about a post-modern 'knowledge based economy'. That is fair enough, and a good goal. But, the hard question is: Can Pakistan leap-frog from a (prematurely) de-industrialized country directly into a post-industrial economy whose lead sector is the knowledge economy? While it seems attractive to many, especially in South Asia including Pakistan, it seems to be an unlikely prospect. While every stage in history is unique and Pakistan cannot pick the thread of industrialization from where it left it, we must be prepared to work our way through soiling our hands in hard industrial labor before the possibility of mimicking (or out-staging as many a brave souls would wish to) the post industrial economies of the Stanford's Silicon Valley. MIT's Route 128 technology parks or similar outfits in today's Korea. All three are de-industrialized; and could very well claim to be in the category of 'mature de-industrialization'. Pakistan (and perhaps India as well) are not in that category. The low share of Manufacturing sector in its Economy is: ____% (compared with USA (____%); Japan (____%), South Korea (____%); India (____%) and China (____%)).

The India China comparison is also instructive. In the initial days of BRICS, the world looked at India and China, as if their prospects for growth and economic power were quite similar in the 21st century. Twenty years later, the story is quite different. While China has made its mark as

one of the top two economies of the world, India is not even a credible player in the league.

This is not to belittle India's progress but to emphasize that since China soiled its hands through the hard work of industry, it is the world leader in manufacturing (____% of global manufacturing sector), leaving behind the United States (____%), and most other players including India (____%).

The interesting aspect of not trying to leap-frog from pre-industrial to post-industrial is that by going through the rigor of 21st century industrialization, it was compelled to become a credible aspirant in the knowledge based economy. It is now only second to the United States in the annual R&D Expenditure (____% USD compared with ____ of USA). India by comparison spends _____. Pakistan with a much smaller economy is not in the race.

WHAT SHOULD PAKISTAN DO

THE APPROACH

Pakistan should not be dis-heartened. I am not going to parrot the depressing statistics paraded for too long by one of our most distinguished scientists and technocracy activists. I am also opposed to mindless mimicry of any of the success or failure cases, be it Silicon Valley, South Korea's science parks or India's attempt to leap-frog from being a pre-industrial to a post-industrial economy. But we must learn from each of them with humility, modesty and earnestness. My life long experience has taught me that, in the end, every case of success and failure is quite unique.

THE ACTION

1- RE-FOCUS FROM INFRASTRUCTURE TO THE MANUFACTURING SECTOR

The CPEC-triggered focus on Infrastructure of connectivity and energy was highly appropriate and timely. From the evidence so far it is quite successful and delivering. Hence we must move on to focus on the Manufacturing sector. We will perhaps be forced to remain bi-focal because if we are to succeed in our manufacturing (and agro-industry) drives, our infrastructure needs will, blissfully, remain under pressure to be constantly expanded and up-graded. The knowledge-based economy sector should be treated as part of the infrastructure of a modern economy, and must keep an appropriate pace with it.

2- THE EXCESSIVE ATTENTION ON SEZs COULD BE MIS-LEADING

The instrument of SEZs was possibly (I needed to be corrected if the proof is to the country) the outcome of an initial success with China's success in its industrial output, and not its originator. After China's initial success in its drive for modernizing its economy, it adopted the instrument of its peculiar route of Special Economic Zones. The success with SEZs triggered further success. But even today China claims only ____ SEZs designated as such, in an economy with a total manufacturing sector of _____ billion USD, annual production; and an economy whose total export and import trade adds up to _____ billion USD.

SEZs are a good initiative but are no substitute to a vigorous focus on the manufacturing (inclusive of agro-industrial) sector.

- 3- MAP THE MANUFACTURING (inclusive of Agro-Industry) SECTOR: Do it immediately even if it becomes work in progress.
- 4- INITIATE A DISCOURSE AT THE DIVISIONAL LEVEL: Wisdom from the top is already documented. Treasure it. But begin the new cycle from the bottom of the pyramid.

Irrespective of how wise that might be, and without any sarcasm involved, there is a good deal of that, it would be inappropriate to begin the discourse from the top. For one there has already been a lot of that. We must not ignore that. Much of that is documented. We must prepare an inventory and think through. It would indeed have its share of wisdom and follies, and a treasure in that respect.

But, fresh ideas are likely to emerge from the bottom and from initiatives where risks can be taken with greater ease.

This is especially true for the Mapping Exercise.

The discourse at the bottom should focus on the empirical realities on the ground. Since no precise mapping is available, one could also refer to the mapping and discourse as 'Mapping in the Making'.

Mapping, Discourse and selective action can proceed simultaneously. The new drive will reinforce and strengthen the SEZ plan, and will, in no way, undermine it.

(End of Note)