

RESEARCH NOTES

CPEC: MUTUALLY BENEFICIAL GROWTH OPPORTUNITIES FOR CHINA AND PAKISTAN

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Xu Ming of Donghua University, China, has recently spoken about CPEC and has very rightly emphasized on developing an insight in to beneficial relations of China and Pakistan in light of opportunities that are embedded in CPEC.

Our understanding of the Coastal City of Gwadar and its role in China-Pakistan Economic Corridor is based on preliminary data available. CPEC is carried out in a vast territory of Pakistan, which is definitely national strategy with global inference sense. Gwadar Port is located in Balochistan's south coast, which is currently less developed, so with the Port's economic function, it will be an economic pivot for CPEC, and a great increase in the economic rate is expected. There is a famous Chinese saying which means, "If you want to be rich, the first thing you need to do is to construct Road" (Xiulu). Chinese economic reform story revolves around the construction of communication infrastructure. China mainly developed 14 ports and roads in the coastal cities, like Dalian Port, Qinghuangdao Port, Yantai Port, Qingdao Port, etc., all of them are well developed and well established now. We can anticipate country's economic development from growth statistics of its ports. For example the Statistics Bureau and World Bank data depicts some renowned ports and highlight the growth trend in the country.

TABLE 1

Some Port City's Economic Function Data

Port Cites	GDP(2014) billion USD	GDP(2000) billion USD	Growth Rate
Shanghai	343.0	71	383%
Hong Kong	290.9	171.7	70%
Dubai	92.7	37.0 ^a	151%
Singapore	307.9	95.8	219%
Rizhao (Shandong)	23.3	2.9	703%
Lianyungang (J.S)	28.4	3.6	688%

Source: China Statistics Bureau and World Bank. ^a(2005)

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The Rizhao Port was expected to experience 703 per cent growth in 14 years, similarly, Lianyungang Port was estimated to have 688 per cent of growth in the same period of time. The question arises that in coming ten years (2026), how many percentage of economic growth rate at Gwadar Port area could be expected?

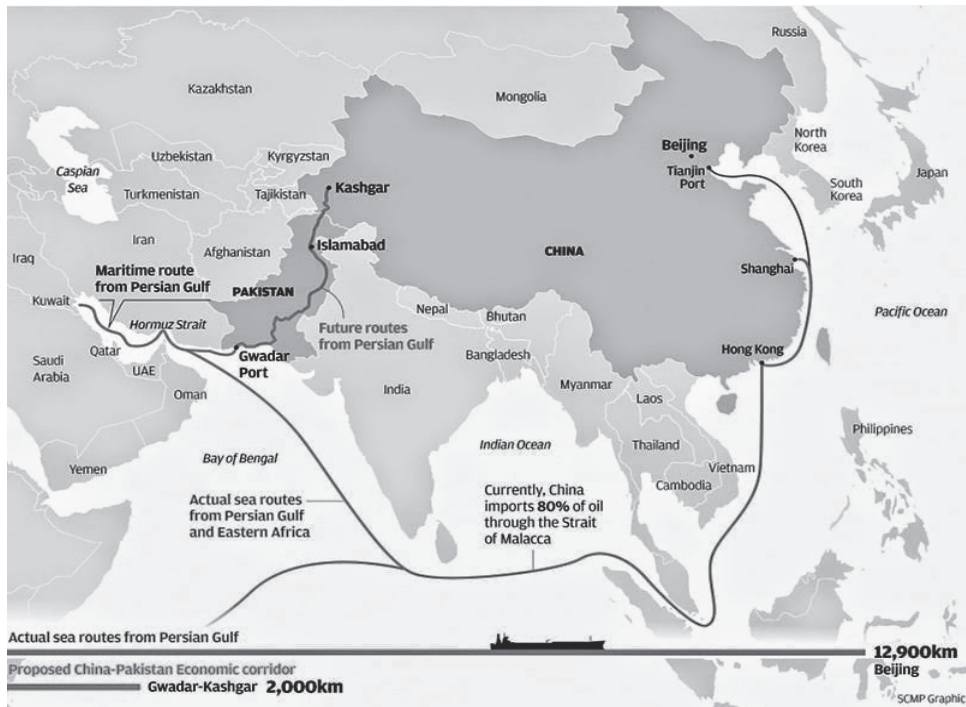
1. Kashgar: A Big Opportunity

Across the Pakistan-China Border and at the note of CPEC, Kashgar, is related less developed region of China. In 2015, Kashgar Region's per Capita GOP was reported USD 2,916. It ranked as no. 12/14 in Xinjiang Uygur Autonomous Region, while average GOP per capita in Xinjiang is USD 6,514. On the other hand Shanghai, Jiangsu and Zhejiang city of China, all exceeded USD 10,000 in terms of per capita 2015. Therefore, we can imagine that Kashgar will get great support from the Autonomous Region, Central Government as well as East China Regions. Thus, connecting with Kashgar is a great opportunity for Gwadar and Pakistan. The region will have immense investment opportunities in future.

With respect to current development at Gwadar and CPEC, mostly Chinese state owned companies and big investors are involved in this project. At the moment Small and Medium Enterprises (SMEs) and private firms are not very much involved in this project. Considering future potential and available opportunities, it is suggested that East China and other China Region's firms should make more digging in CPEC's body (Economic Zones) and two Ends (Gwadar and Kashgar). Huge investment opportunities are available currently, especially in service industries, technical service, construction, hotels, restaurants, education, transportation, and tourism, and so on. However, lack of good coordination and consultancy among companies, investors and other groups is one of the main problems.

2. What East China Region can do for CPEC?

CPEC will pass through the beautiful Gilgit-Baltistan province which will connect Kashgar in China's western autonomous region Xinjiang to rest of the world through Gwadar port in Arabian Sea. In this regard, Pakistan Government should carefully look in to some key issues to make Gwadar and CPEC a lucrative opportunity for investors. For instance what kinds of ideal environment traders require? Policy makers must develop a favorable policy to attract investors. Internationally acceptable standards of Economic and social legal regulation will surely add advantage to this project. The local administration and facilitating staff must be highly efficient. Planning and execution vary to ensure standard construction development in the town. Last but not the least, engage and utilize local talent not only in developing big for provision and strengthening of basic public service system.



3. Ideas in economic perspective

For East China Region, low value cargo *via* land transportation is not economically sound option. Cargo including oil Products be transported *via* railway to Western China or at most to middle parts of China, could be economically workable. Distance calculation to Railway and Maritime Way with the Gwadar Port to Shanghai East China are appended in Table 2 in support of this argument.

TABLE 2
Data Collected from Baidu Map with Calculation

	B	Distance
Kashgar	Urumchi	1459 KM
Urumchi	Shanghai	4100 KM
Kashgar	Shanghai (via Turfan)	5377 KM
Kashgar	Khunjerab Pass	415 KM
Gwadar	Khunjerab Pass	2000KM
Gwadar	Shanghai	Maritime Way: 6170 nautical mile (11427 KM)

Railway: Gwadar-Khunjerab-Kashgar-Turfan-Shanghai =7,782 KM
 Maritime Way: Gwadar-Shanghai via the Strait of Malacca = 11,427 KM
 The difference of above two ways is 11,427-7,782 =3,645 KM

Pakistan can get huge investment in the fields of railway from East China Region. It will provide necessary assistance for developing communication infrastructure in Pakistan. Associated sectors such as construction and supporting services (equipment and tooling, spare parts and maintenance), technical training (especially remote education) and supporting hotel and tourism industry can get substantial attraction of investors. Online tourism agency services, online shopping and logistical services will also be a good area for investing. In view of these potential areas, East China Region can provide significant support to Pakistan for CPEC. East China Region has five big, global companies which can be great partner in this project.

1. Ctrip.com International, Ltd. Ctrip is a leading provider of accommodation reservation, transportation ticketing, package tour and corporate travel management and other travel related services in China. It has gone through rapid growth since its inception in 1999 and has become China's largest travel company. Ctrip, along with its invested companies, generated more than RMB350 billion in gross merchandise values in 2015. The Company is currently listed on the NASDAQ with a market cap of roughly \$20 billion, which makes it one of the world's largest online travel agents.
2. Hengtong Optic-electric Co. The company boasts complete optic-electric cable industrial cluster: With regard to its property right, independent optical communication industry chain of "optical fiber, perform-optical, fiber-fiber optic cable", the full range of FTTx ODN R&D and manufacturing has been completed to lead a full range of series of product industrial clusters of optical network town, a full range of series of power cable industrial clusters of submarine optical fiber composite cable and submarine optical fiber cable, submarine super high-voltage cable and power cable industrial clusters fully ranging from medium low voltage to high voltage to super high-voltage series, electrical equipment cable industrial clusters of locomotives, rail transportation, marine engineering, new energy and other areas and a full range of electronic consumer cable industrial clusters of high-speed data cable, high-speed signal transmission cable, etc. In addition, Hengtong Optic-electric Co. Ltd., specializes in providing customers with solutions to the field of optical cable system in order to comprehensively enhance the technology and service levels of products and to help customers harvest more value. As China's wire and cable industry leader, the Company focuses on innovation of management methods and tools to take the first lead to pass the ISO9001 quality system, ISO14001 environmental management system, OHSAS18001 occupational health and safety management system, national measurement system and United States UI safety certification in the industry, and its communication fiber optic cable products meet the requirements of European RoSH directive. The products are mainly used in China Mobile, China Telecom, China Unicom and other communication operators,

as well as specialized communication networks of aerospace, power, radio and television, national defense, General Staff Department, marine engineering, etc.

3. Jiangsu Yueda Textile Group: China is not only the biggest textile producer country, but also the biggest export country. The Chinese textile export value accounts for 13 per cent of world trade, and 23 per cent of nation trade. With the comparison superiority of labour force and resources, and maturity processing foundation, textile enterprises of China have advantages in global competition. Jiangsu YDTeX Group, Ltd is one of the leading company that manufactures textiles. The company was founded in 2003 and is based in Yancheng, China. Jiangsu YDTeX Group, Ltd. Since Pakistan has a good reputation in field and with the collaboration of local cotton and textile industry of Pakistan and YDTEX group, huge economic profit can be obtained in this sector.
4. Shanghai Shibang Machinery Co. Ltd. It is a high-technology enterprise of Shanghai city and it is a professional manufacturer of mining crushers and industrial grinding mills, located in beautiful Pudong New District, with factory area of more than 70,000 square meters. It features advanced CAD and computer simulation test system, which ensures the quality of design, development, manufacturing and after-sale service. It has formed a complete production-chain that takes crushers and mills as the main products and vibrating screen, vibrating feeder, etc., as supplementary products. The major products are: R-pendulum grinding mill, raymond grinder, high pressure suspension grinding mill, medium speed trapezium mill, super thin mill, straight centrifugal mill, jaw crusher, impact crusher, cone crusher, vertical shaft impact crusher, sand making machine, vibrating screen, vibrating feeder, sand washing machine, belt conveyor, etc. Especially, the high pressure suspension grinding mill YGM 9517 and PC1 vertical shaft impact have won the honor of Shanghai high technology conversion effort. Shanghai Shibang has become a major production and export base of sand-stone and powder-making machinery in China. Shanghai Shibang Machinery Co. Ltd., has independent import-export right with a special international market department to deal with exporting affair. We have a professional after-sale service faculty to provide considerate and all-around-way service for the customers. Our products have taken up a considerable place in the world market. They have been exported to America, Italy, Turkey, Australia, Singapore, Indonesia, Vietnam, Iran, India, Chile, Venezuela, Libya, Ethiopia, United Arab Emirates, Kazakstan, Kyrgyzstan and receive high popularity. We are hopeful that this company will provide all necessary support to CPEC and Gwadar Projects.

Conclusion

CPEC is a great strategic design, which will greatly benefit both Pakistan and China and other participants from the world. First to construct Road (Sea Port), is a good development strategy with a lot of evidence. East China Region has the capability to make contribution to CPEC. We need to encourage more Chinese companies come and Pakistan to find investment chances, above 5 companies have potential to offer their products and service in CPEC. Along with CPEC development, Pakistan will have a great tourism development, when railway project gets finished, beautiful China-Pakistan border region will be as a new hottest attraction in the world. Railway project should start as earlier as possible. Both China and Pakistan Think Tanks should work together closely to promote CPEC's fast growing.

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