



REPORT

AERC

ANNUAL INTERNATIONAL CONFERENCE

DECEMBER 18 - 20, 2018



CAREIC-PCWF
2018

“Central Asian Regional Economic Integration and CPEC:
Prospects, Challenges and the Way Forward (CAREIC-PCWF)”

VENUE

Professor Salimuzzaman Siddiqui Auditorium (ICCBS) HEJ,
University of Karachi



APPLIED ECONOMICS RESEARCH CENTRE
UNIVERSITY OF KARACHI



Asian Development Bank



The Annual International Conference 2018 Report

**Central Asian Regional Economic Integration and CPEC:
Prospects, Challenges and the Way Forward
(CAREIC-PCWF)**

Annual International Conference 2018 conducted by

**Applied Economics Research Centre, University of Karachi
(AERC)**

**December 18 - 20, 2018
Karachi, Pakistan**

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AERC

Applied Economics Research Centre
(University of Karachi)

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The AERC, University of Karachi, was established in 1973. The major functions of the Centre are policy oriented Core/Academic Research, Contract Research for clients, post-graduate teaching and providing advisory services to the government. The Centre undertakes research on issues in applied economics with a focus on urban and regional economics, agriculture economics, human resource development, public finance, poverty, health and nutrition, industrial economics, trade, environment and gender issues.

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Report Design by Syed Muhammad Waqas (*Webmaster, AERC*)

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Acknowledgments

AERC would like to thank **Asian Development Bank (ADB) Islamabad / Manila, Higher Education Commission of Pakistan (HEC) and DHA Suffa University** for the kind support and generous funding for the conference. We would also like to pay regards to all speakers of the annual international conference 2018 for their time and knowledge contribution. The factual data, expert opinion, and investigative analysis shared by them not only advanced our knowledge on the subject matter but also contributed largely to the policy recommendations and findings listed in this report. AERC would also like to pay kind regards to **Key Note Speakers** for sharing their expertise. **AERC Conference Organizing Team** deserve great appreciation for their tireless efforts and dedication to make the annual conference one of the successful events of the year 2018.

Executive Summary

The three day Annual International Conference 2018 on a very important theme, **Central Asian Regional Economic Integration and CPEC: Prospects, Challenges and the Way Forward, (CAREIC-PCWF)**, was held on December 18-20, 2018, which was organized by the Pakistan Society of Applied Economists of a key academic research institute and think tank, Applied Economics Research Centre (AERC), University of Karachi. The focus of discussion in the conference under aforementioned theme has potential positive consequences in evidence based understanding of the sectoral issues in terms of socio-economic and political dynamics of the central Asian region.

The AERC international conference (2018) aimed at investigating the state of economic integration in Central Asia. The eminent speakers of the conference focused on unlocking the potential of Regional Economic Cooperation and Integration in Central Asia and to identify potential areas of CPEC for further strengthening sub regional linkages between Pakistan and Central Asia. CPEC is a part of the Belt and Road Initiative (BRI), which offers building of the other five corridors namely; (1) China-Central Asia Corridor, (2) Eurasian Land Bridge, (3) China-Mongolia-Russia Corridor, (4) Bangladesh-China-India-Myanmar (BCIM) Corridor, and the (5) Maritime Silk Road. In all of these five corridors at least three or more countries are involved. The CPEC, on the other hand, is an exclusive corridor between Pakistan and China to connect Kashgar with Gwadar and there is no third party involved.

The Technical sessions helped in developing great insight by looking at the geo-strategic situation in the region, and reflected on some important questions like how the Central Asian Republics could be connected with Gwadar? It is traditionally thought that all roads from Pakistan into Central Asia go through Kabul or Wakhkan and as geo-political conditions in Afghanistan are not normal for the past several decades. The presenters looked deeply in to, how this opportunity of trade and connectivity would be enjoyed?

The Panel discussions highlighted the fact that the abundance of natural resources such as oil, gas, gold, and other metals, central Asian Republics have great potentials of investment in CPEC-related projects and also of investment in the new industrial zones. CPEC-related investment is expected to go beyond US\$ 150 billion for all projects. Out of 46 industrial zones, 9 zones have been identified and work on three industrial zones is going to start soon. Almost all Central Asian Republics have shown interest in joining the CPEC. Looking at vast trade and transit-trade and investment opportunities and potentials, Central Asian Republics should take the benefits of the CPEC.

The conference was attended by the national and international academic scholars, eminent political and bureaucratic personalities, foreign delegates, think tanks, electronic & print media and students. AERC extend profound thanks to the Asian Development Bank (ADB) Islamabad / Manila, Higher Education Commission of Pakistan (HEC) and DHA Suffa University for their generous contribution and sponsorship.

The proceedings were divided in three Lectures, three Key Note Speeches, nine Technical Sessions and three sessions of Panel Discussions. The details of the conference agenda is given in the following pages.

DAY- 1			
Tuesday, December 18, 2018			
8.30 am - 11.00 am			
Venue: ICCBS Hall, HEJ, University of Karachi			
8:30 am to 9:00 am		Reception and Registration	
9:00 am to 9:05 am		Seating of Guests / Audience	
9:05am to 9:10 am		Arrival of Chief Guest	
9:10am to 9:15 am		National Anthem	
Recitation from the Holy Quran 9:15am to 9:20 am		Mr. Basit Ali	
Welcome Remarks 9:20am to 9:25 am		Dr. Uzma Iram Head of Conference/ Seminar	
Director's Address 9:25am to 9:35 am		Prof. Dr. Samina Khalil Director, AERC	
Vice-Chancellor Address 9:35am to 9:45 am		Prof. Dr. Muhammad Ajmal Khan Vice Chancellor, University of Karachi.	
Inaugural Address by the Chief Guest 9:45am to 10.00 am		Dr. Ishrat Husain Professor Emeritus and Chairman CEIF (IBA),Karachi Advisor to the Prime Minister of Pakistan on Institutional Reforms and Austerity	
Tea Break 10.00 am - 10.30 am 10.30 am - 11.15 am			
The Quaid-e-Azam Lecture By Dr. Ishrat Husain Professor Emeritus and Chairman CEIF (IBA),Karachi Advisor to the Prime Minister of Pakistan on Institutional Reforms and Austerity			
Chairperson		Dr. Furrukh Iqbal Dean and Director, IBA, Karachi	
Key Note Speaker 11.15 am - 12.30 pm		Dr. Guoliang Wu Unit Head, CAREC, ADB, Manila ,Philippines Senior Regional Cooperation Specialist, Central and West Asia Department at Asian Development Bank Manila, Philippines Mr. Shahnawaz Mahmood Deputy Managing Director of Pak China Investment Company Limited, Islamabad.	
12. 30 pm - 1.00pm		General Discussion	
Lunch Break 1.00pm – 2.00pm			
PARALLEL TECHNICAL SESSIONS 2.00 pm - 4.00 pm			
	ICCBS	LEJ1	LEJ2
	Mr. Ali Abbas SI(M) Commodore (Retd) Director Bahria University Karachi	Dr. Syed Hasanat Shah Associate Professor Foreign Expert, Jilin University, China	Dr. Ashraf Wasti Ex Associate Professor AERC, UOK
	Trade and Regional Economic Integration	FDI, Trade and Regional Economic Integration	Stock Market Efficiency and Economic Growth
	Changing Dynamics of Uzbekistan’s Foreign Policy Under Shavkat Mirziyoyev: Prospects for Central Asian Regional Economic Integration Dr. Adam Saud International Relations, Bahria University Islamabad	An Empirical Analysis of Economic Growth-FDI Nexus: The Role of FDI Volatility in Pakistan Dr. M .Tariq Majeed Ms. Saba Ashiq Quaid-i-Azam University Islamabad	Stock market efficiency: The Pakistan Stock Exchange merger. Mr. Asad Ali Mr. Saqib Sharif IBA Karachi

	Exploring Potential and Perils of Pak-China Bilateral Free Trade Agreement: Trade Creation and Trade Diversion Approach Mr. Mirajul Haq Ms. Javeria Saeed Mr. Muhammad Akram <i>International Institute of Islamic Economics (IIIE) Islamabad</i>	Determinants of Chinese Foreign Direct Investment: Lessons from CAREC Countries. Dr. Imtiaz Arif Ms. Amna Sohail Rawat Ms. Lubna Khan <i>IQRA University</i>	The Empirical Determinants of Stock Market Development – Analysis of Developed and Developing Economies Mr. Muhammad Shafiq-ur-Rehman Prof. Dr. Mohammed Nishat Ms. Nighat Bilgrami <i>AERC Karachi</i>
	Nexus Between Human Capital, Economic Growth And Trade Liberalization: A Regional Comparison Of Selected South And East Asian Countries Ms. Aisha Nazir Dr. Sofia Anwar <i>Government College University Faisalabad</i>	Foreign Direct Investment And Current Account Balance: The Case Of South Asian Economies Ms. Mahnaz Muhammad Ali Ms. Tusawar Iftikhar Dr. Rana Ejaz Ali Khan <i>The Islamia University Bahawalpur</i>	Exploring The Nature Of Relationship Between Political Instability And Economic Growth: A Case Of Pakistan Mr. Mubashar Hussain Dr. M. Rizwan-Ul Hassan <i>Mohammad Ali Jinnah University Karachi</i>
	The Impact of Trade Facilitation on FDI and Trade: Empirical Analysis for South Asian Countries Ms. Kubra Siraj Dr. Mohsin Husnain Ahmad Dr. Uzma Iram <i>AERC, Karachi</i>	The impact of Foreign Direct Investment on Economic Growth Through the Channel of Economic Freedom: The Case of Asian Economies. Mr. Muhammad Akbar Mr. Kaleemullah <i>National University of Modern Languages (NUML), Islamabad</i>	Long-Run Sources of Economic Growth: A Regime-wise Analysis for Pakistan Economy Dr. Muhammad Arshad <i>SZABIST, Islamabad</i>
Discussant	Dr. Bilal Ahmed <i>Director, FPCCI</i> Dr. Aamir Siddiqui <i>Research Economist, AERC</i>	Dr. Shaista Alam <i>Associate Professor, AERC</i> Dr. Tehseen Jawaaid <i>Assistant Professor, AERC</i>	Dr. Wali Ullah <i>Associate Professor, IBA</i> Dr. Kalim Hyder <i>State Bank of Pakistan</i>
3.40pm-4.00pm	General Discussion	General Discussion	General Discussion
Tea Break 4.00pm - 4.30pm			
Tribute to Abdul-Sattar Edhi			
PANEL DISCUSSION			
4.30 pm - 6.00 pm			
Venue	ICCBS HALL, HEJ, University of Karachi		
Theme	Regional Economic Integration Through Trade		
Chairperson	Dr. Waqar Masood Khan <i>Former Secretary Finance, Ministry of Finance, Government of Pakistan Islamabad</i>		
Panelists	Prof. Dr. Qazi Masood Ahmad <i>Chairman, Centre of Executive Education Department of Economics and Finance, IBA, Karachi</i>		
	Mr. Tariq Ikram <i>Former CEO- Director TDAP</i>		
	Mr. Salmaan Farooq <i>Regional Trade Promotion Advisor Pakistan Regional Economic Integration Activity (PREIA), Islamabad</i>		
	Prof. LI, Zhan <i>Research Professor, Deputy Director, Institute of the Applied Economics, Shanghai Academy of Social Sciences, China</i>		
	Prof. ZHANG, Jianbo <i>Research Professor, head of research Dept., Institute of the Applied Economics, Shanghai Academy of Social Sciences, China</i>		

	Prof. ZHU, Libo <i>Visiting Researcher of the Research Institute of Silk Road on the Sea, Institute of the Applied Economics, Shanghai Academy of Social Sciences, China</i>
	General Discussion
Concluding Session	Prof. Dr. Qazi Masood Ahmad <i>Chairman, Centre of Executive Education Department of Economics and Finance, IBA, Karachi</i>

DAY- 2 Wednesday December 19, 2018			
9.30 am - 11.30 am Sir Syed Ahmad Khan Lecture By Dr. Gubad Ibadoghlu <i>Senior Analyst, Economic Research Center, Baku-Azerbaijan Currently Professor at Rutgers University, New Jersey.USA</i>			
Venue	ICCBS HALL, HEJ		
Chairperson	Dr. Kaiser Bengali <i>Dean of Management Sciences, ZABIST Ex-Advisor to Govt of Sindh and Baluchistan</i>		
Key Note Speaker	Dr. Safdar A.Sohail <i>Director General, National Institute of Management Ex-Executive Director, CPEC Centre of Excellence, Planning Commission, Islamabad</i>		
Topic			
10. 30 am - 11.30 am	General Discussion		
Tea Break 11.00 am – 11.30 am			
PARALLEL TECHNICAL SESSIONS 11.30 am - 1.30 pm			
	ICCBS	LEJ1	LEJ2
Chairperson	Engr. M.A. Jabbar <i>Life member of SAARC Chamber of Commerce and Industry and FPCCI</i>	Professor Mehtab S.Karin <i>Vice Chancellor, Malir University of Science & Technology, Karachi</i>	Prof. Dr. Usman Mustafa <i>PIDE, Islamabad</i>
Theme	CPEC and Regional Economic Integration	Human Development / Welfare and Regional Economic Integration	Health, Nutrition Inequalities and Regional Economic Integration
	An Integrated Model For Technological Capability Upgrading Of Manufacturing Cluster(S) Of Pakistan Involving Collaboration With Sez(S) Along CPEC by Mr. Ahsan Munir <i>Islamabad</i>	The Impact of Globalization Quality of Life: An Empirical Investigation for Asian Countries Mr. Syed Hassan Raza Ms.Fatima Shafiq <i>National University of Modern languages Faisalabad Campus / Govt.College Women University Faisalabad</i>	Determinant Of Child Nutritional Inequalities In Pakistan: Regression Based Decomposition Analysis Ms.Nilam Bano Dr. Uzma Iram <i>AERC Karachi</i>
	CPEC: Threat Or Opportunity: Protecting Local Industry through Infant Industry Theory Dr. Manzoor Ali Isran Mr. Mukesh Kumar <i>Department of Management Science SZABIST Karachi</i>	An Application of Cost Malmquist Index: A case study of District Headquarters (DHQs) Hospitals of Sindh (Pakistan) Mr. Majid Ali Rana Dr. Nabila Asghar Dr. Zahid Parvaiz <i>National College of Business & Economics, Lahore, Pakistan</i>	Health, Trade Openness and Economic Growth in ASEAN Mr. Nadeem Ahmed Mr. Agha Jahanzeb <i>IBA University Sukkur</i>

	Identifying Complementarities and Synergies between CAREC and CPEC for Regional Integration by Mr. Talha Mustafa <i>Regional Connectivity Division, COE-CPEC</i>	Determinants of Private School’s Existence- A Case Study of Pakistan Mr. Sami Ullah Qureshi <i>AERC Karachi</i>	Socioeconomic And Demographic Factors Affecting Child Health In Bangladesh Ms. Zeenat Zia Dr. Sofia Anwar Ms. Aisha Asif <i>Government College University, Faisalabad</i>
	CPEC in the Perspective of Pakistan Economy: Analysis of Past, Present and Future Mr. Ishtiaq Ahmad Mr. Ali Azam Mr. Shahzad Hussain <i>The Islamia University of Bahawalpur/ National Defense University Islamabad</i>	Household Remittances and Welfare Impact: An Econometric Analysis Dr. Adiga. K.Kiani <i>Federal Urdu University, Islamabad</i>	Has Globalization Improved Life Expectancy And Depressed Child Mortality? An Empirical Analysis Ms. Shamsa Kanwal <i>Quaid –E- Azam University, Islamabad</i>
Discussant	Dr. Muhammad Rizwanul Hassan <i>Assistant Professor Department of Economics Mohammad Ali Jinnah University</i> Dr. Muhammad Sabir <i>Principal Economist SPDC, Karachi</i>	Dr. Adnan Haider <i>Associate Professor IBA, Karachi</i> Dr. Noman Saeed <i>Assistant Professor AERC</i>	Dr. Tariq Majeed <i>Associate Professor, QAU, Islamabad</i> Dr. Lubna Naz <i>Assistant Professor Department of Economics University of Karachi</i>
	General Discussion	General Discussion	General Discussion
Lunch Break: 1.30pm - 2.30pm			
PANEL DISCUSSION 3.00 pm - 5.00 pm			
Venue	ICCBS HALL, HEJ		
Theme	Regional Economic Integration and Governance		
Chairperson	Syed Salim Raza (IBA) <i>Former Governor, State Bank of Pakistan, Ex-CEO, Pakistan Business Council, Member Economic Advisory Council, Government of Pakistan,</i>		
Panelists	Dr. S. Akbar Zaidi <i>Professor at Columbia University, New York, USA An Adjunct Professor at IBA,Karachi</i>		
	Mr. Muhammad Iqbal Tabish <i>Chief Executive- PIDC</i>		
	Lt. Gen (R) Moinuddin Haider <i>Ex Governor of Sindh</i>		
	Prof. Dr. Riaz Ahmed Shaikh <i>Dean, Faculty of Social Science & Education Department. SZABIST</i>		
	Engr. M. A. Jabbar <i>Life member of SAARC Chamber of Commerce and Industry and FPCCI</i>		
	Ms. Hussan Bano Burki <i>Chief of Party USAID Pakistan Regional Economic Integration Activity, Islamabad</i>		
	General Discussion		
Concluding Session			
Tea Break 5:00pm			

Day – 3 Thursday December 20,2018 9.30 am - 11.00 am Shah Abdul Latif Bhittai Lecture By Dr. <u>Nadeem Ul Haque</u> <i>Former Deputy Chairman Planning Commission Of Pakistan, Islamabad</i>			
Venue	ICCBS HALL, HEJ		
Chairperson	Dr. Pervaiz Tahir Chairman The Bank of Punjab, Lahore		
Key Note Speaker	Prof. Dr. Hiro Takahashi, DTS Tokyo lab, Minato-ku Tokyo Japan, Dr. Ather Akbari, Professor of Economics at Saint Mary's University in Halifax, Canada.		
	General Discussion		
Tea Break 11.00 am - 11.30 am			
PARALLEL SESSIONS 11.30 am - 1.30 pm			
	ICCBS	LEJ1	LEJ2
	Prof. Dr. Samina Khalil Director, AERC	Dr. Raza Ali Khan Chairman, Department of Economics and Management Sciences NED University of Engineering and Technology	Dr. Muhammad Ali Choudhary Director Research, State Bank of Pakistan
	Sustainable Development and Regional Economic Integration	Socioeconomic Development, Urbanization, Institutions and Economic Integration	Macroeconomic Issues and Economic Growth
	Capturing the Climatic Effects of El Nino and La Nina on the Economy of Pakistan Dr. Humayun Rashid Dr. Usman Mustafa Mr .Muhammad Touseef- Ur-Rehman PAEC/PIDE/NESCOM, Islamabad	Sustainable Urban Development And Special Economic Zones- Considerations For China Pakistan Economic Corridor Mr. Adnan Khan Ms. Numra Asif Dr. Saleem Janjua PIDE Islamabad	Monetary Exchange Rate Model-South Asian Experience: A Markov Switching Approach. Dr. Safia Minhaj Department of Economics University of Karachi Prof. Mohammed Nishat IBA Karachi
	Influence of Green Supply Chain (GSC) Practices on the Performance of Supply Chain Mr. Waqas Hanif Mr. Jahanzeb Asim Ms. Mariam Ejaz Ms. Sana Zahoor SZABIST Karachi	Does urbanization matter in the process of income convergence? Evidence from South Asian Economies Ms. Rabia Kanwal Ms. Hareem Fatima Mr. Syed Immad Uddin Hussani Ms. Taskeen Fatima AERC Karachi	E-government: A Stimulus for Foreign Direct Investment Ms. Sidra Shafaqat Dr. Muhammad Tariq Majeed Quaid-i-Azam University Islamabad
	Long Run Causal Relationship Between Economic Growth, Transport Energy Consumption And Environmental Quality Ms. Saima Nasreen Mr. Mounir Ben Mbarek Mr. Muhammad Atiq-ur- Rehman Government College	Fiscal Decentralization and Social Service Delivery: An empirical Analysis of Balochistan Dr. Muhammad Akram Mr. Chakar Khan International Institute of Islamic Economics, International Islamic University Islamabad	Fiscal Policy Impact in Good and Bad Time of Real Business Cycle A Case study of Pakistan. Mr. Abid Rehman School of Social Sciences and Humanities, S3H NUST Islamabad.

	<i>Women University Faisalabad/University of Management and Economics science of Sfax Tunisia/ Department of Economics, University of Punjab Lahore</i>		
	Special Economic Zones (SEZs) and Prospects for the Domestic Economy of Pakistan Dr. Karim Khan <i>PIDE Islamabad</i>	Asian Economies Sectors Performance, Economic Volatility And Quality Of Institutions Ms. Hira Mujahid Dr. Shaista Alam <i>AERC Karachi</i>	Macroeconomic effects of Fiscal Policy Shocks in the Presence of Informal Sector Mr. Tehseen Iqbal <i>School of Economics, University of Kent/AERC Karachi</i>
DISCUSSANT	Dr. Heman Das Lohano <i>Associate Professor IBA, Karachi</i> Dr. Mehak Ejaz <i>Assistant Professor SZABIST,Karachi</i>	Dr. Nooreen Mujahid <i>Associate Professor Department of Economics UOK</i> Dr. Adiqah.K.Kiani <i>Federal Urdu University, Islamabad</i>	Dr. Zulfiqar Hyder <i>State Bank of Pakistan</i> Dr. Zeeshan Atique <i>Assistant Professor Department of Economics, University of Karachi</i>
	General Discussion	General Discussion	General Discussion
Lunch Break: 1.30 pm - 2.30 pm			
PANEL DISCUSSION 3.00 pm - 5.00 pm			
Venue		Central Asian Regional Economic Integration and CPEC	
Chairperson		Dr. Zeeshan Ahmed <i>Dean & Rector(Acting) Karachi School of Business & Leadership(KSBL)</i>	
Panelists			
		Mr. Ishtiaq Baig <i>Former Vice-President- FPCCI</i>	
		Prof. Dr. Shahida Wizarat <i>Dean CESD & Head of Economics Department IOBM, Karachi</i>	
		Dr. Karamat Ali <i>Executive Director, Pakistan Institute of Labour Education & Research, (PILER), Karachi</i>	
		Dr. Safdar A.Sohail <i>Director General, National Institute of Management Ex-Executive Director, CPEC Centre of Excellence, Planning Commission, Islamabad</i>	
		Professor. Dr. Nadia Tahir <i>Ex-Director Research and Development, Lahore Chamber of Commerce and Industries.</i>	
		Dr. Syed Hasanat Shah <i>Associate Professor Foreign Expert, Jilin University, China General Discussion</i>	
		General Discussion	
		Prof. Dr. Samina Khalil <i>Director, AERC</i>	
Tea Break 6.00 pm			

**“Central Asian Regional Economic Integration and CPEC:
Prospects, Challenges and the Way Forward (CAREIC-PCWF)”**

Unlocking the Potential of Regional Economic Cooperation and Integration in Central Asia, the AERC international conference (2018) aims at investigating the state of economic integration in Central Asia and identifies potential areas of CPEC for further strengthening sub regional linkages between Pakistan and Central Asia.

Central Asian Republics (CARs) of the Soviet Union were considered as a unit before their independence. The commonality imposed by geography remains and some of the shared problems require, to a greater or lesser extent, joint action. On the common problem the economics of transition and development after the collapse of the USSR, joint action has been minimal and counterproductive when it did happen notably in retaining a common currency. By the end of 1993 the CARs were clearly differentiated in terms of their progress in transition and in their development strategies. In the current challenging economic environment, goals such as diversification, efficiency in service delivery, and job creation are more critical than ever before – and the role of the private sector is critical in achieving these goals. The Doing Business 2017 report reflects some significant achievements of Central Asian governments, as well as ongoing challenges to improve the business environment and attract more private sector investment.”

The problems and challenges facing the Central Asian governments after independence fall into three categories. First pertains to development issues focusing on the gap between aspirations to emulate the East Asian newly industrializing economies (NIEs) and policymakers’ instincts to repeat the mistakes of import-substituting industrialization. Second relates to considering the more immediate problems of transition, and especially the crucial question of macroeconomic policy and its relationship to the decision of whether to adopt a national currency. Third deals with economic aspects of countries’ international relations.

CPEC is a grand leap forward by Pakistan’s trusted friend, China, to transform the economy of Pakistan. The package of US\$ 46 billion has been increased to now over US\$ 63 billion as new projects keep on getting included in this mega project ever since the package was drawn on 20 April 2015 when President Xi Jinping visited Pakistan.

CPEC is a part of the Belt and Road Initiative (BRI), which offers building of the other five corridors namely;

- 1) China-Central Asia Corridor,
- 2) Eurasian Land Bridge,
- 3) China-Mongolia-Russia Corridor,
- 4) Bangladesh-China-India-Myanmar (BCIM) Corridor, and the
- 5) Maritime Silk Road. In all of these five corridors at least three or more countries are involved. The CPEC, on the other hand, is an exclusive corridor between Pakistan and China to connect Kashgar with Gwadar and there is no third party involved.

The CPEC is just not a road but a network of connectivity, industrialization, trade promotion, energy generation, and much more. Besides road, a railway track will be drawn between Havelian and Kashger. Work on 820 km optic fiber line is already underway to link Khunjrab

with Rawalpindi, adding a digital component to CPEC, to be completed by June this year. Bilateral trade has enhanced to US\$ 20 billion by now. Around 10,000 megawatt has been added to the national grid. Three industrial zones have carved out namely: Hattar, Faisalabad, and Dhabeji among nine identified so far. China invested over 1.1 billion in Pakistan's FDI last year.

The main purpose of the package is to create a land link between western China and Pakistan by providing access to the southern port of Gwadar in Baluchistan province. This port was especially designed to cater the needs of China and Central Asian Republics. Western China and Central Asia are landlocked and since Central Asian Republics gained independence from the Soviet Union in 1991, we have been offering access to them to the Arabian Sea but nothing has been materialized so far. Gwadar and CPEC has the potential to streamline the long cherished dream between Pakistan and Central Asia. It is believed that Gwadar Port and its allied road infrastructure is a Suez Canal for China and Central Asia. There is a dire need to advertise the utility of Gwadar Port for Central Asian Republics in media outlets of Central Asian Republics highlighting the benefits of trade and connectivity.

Looking at the geo-strategic situation in the region, the important question arises that how the Central Asian Republics could be connected with Gwadar? It is traditionally thought that all roads from Pakistan into Central Asia go through Kabul or Wakhkan and as geo-political conditions in Afghanistan are not normal for the past several decades, we need to look deeply in to, how this opportunity of trade and connectivity would be enjoyed?

Since 1991, Pakistan-Central Asian trade has not been substantially increased. Gwadar port could become a hub-port for the Central Asian Republics. These Republics could carry out their South Asia and the Gulf trade and transit-trade through Pakistan. Unfortunately, in the past quarter century, this trade is dismal and it has not gone beyond US\$ 76 million in spite of lofty announcements and innumerable pledges committed by top leadership on both sides. CPEC offers novel solution to address Pakistan-Central Asian trading woes. With abundance of natural resources such as oil, gas, gold, and other metals, Central Asian Republics have great potentials to investment in CPEC-related projects and also to investment in the new industrial zones. CPEC-related investment is expected to go beyond US\$ 150 billion for all projects. Out of 46 industrial zones, 9 zones have been identified and work on three industrial zones is going to start soon. Almost all Central Asian Republics have shown interest in joining the CPEC. Looking at vast trade and transit-trade and investment opportunities and potentials, Central Asian Republics should take the benefits of the CPEC.

The CAREC Institute initiative is a milestone in promoting economic integration and centrality of countries in Central Asia along with CPEC. Central Asian countries with Pakistan and Afghanistan need an ambitious plan for economic integration beyond their borders to achieve its economic development aspirations. All countries need to designs their post-2020 agenda with a view to strengthening its role as a hub of Asian dynamism, its members need to adopt an appropriate policy mix including deep domestic structural reforms and bold actions to further deepen regional integration—transforming the Central Asia into a truly borderless economic community.

Sustained economic development and income inequality remains a challenge in Central Asian countries including Pakistan and Afghanistan despite the reasonable economic expansion in Central Asia and Pakistan in previous decades, which lifted millions out of poverty. Financial inclusion is often considered as a critical element that makes growth inclusive as access to finance that can enable economic agents to make longer-term consumption and investment decisions, participate in productive activities and cope with unexpected short-term shocks. Understanding the link between financial inclusion, poverty and income inequality at the country level will help policymakers design and implement programs that will broaden access to

financial services, leading to reduction of poverty incidence and income equality.

Pakistan while moving ahead under the umbrella of CPEC on the road to prosperity must keep Afghanistan and Central Asia on priority agenda that should urgently pursue broad-based regional economic cooperation which could enable far more effective responses to the region's developmental challenges.

The AERC international conference on, 'Central Asian Regional Economic Integration and CPEC: Prospects, Challenges and the Way Forward, (CAREIC-PCWF)', from December 18-20, 2018, will explore and evaluate the scope, broad principles, and characteristics of Central Asian countries economic relationships and cooperation at the regional level. It will address the broad issue of whether Central Asian efforts for regional cooperation and integration have been compatible with similar arrangements elsewhere or with an open multilateral trading system at the global level. The conference will also focus on the changing dynamics of regional integration and its future prospects and will explore the possibilities and implications of Central Asian integration for Pakistan through CPEC, Afghanistan and the rest of the world.

Sub-Themes

- Regional Integration and Infrastructure
- Economic Integration and Communication Technology
- Trade Facilitation and CPEC
- Environment and Disaster Risk Management
- Agriculture and Food Security
- Financial Development
- Gender and Human Development
- Governance and CPEC
- Energy and Industrialization
- Water, Sanitation and Hygiene
- Population, Migration and Urbanization
- Socioeconomic Development



Central Asian Regional Economic Integration & CPEC: Challenges, Prospects and the Way Forward (CARRIC-PCWF) 2018

By: Prof. Dr. Samina Khalil (*Chief Patron, Annual International Conference, 2018*)



The annual mega event of three-day international conference on a very important theme, **Central Asian Regional Economic Integration and CPEC: Prospects, Challenges and the Way Forward, (CAREIC-PCWF)**, was held from **December 18-20, 2018**, organized by the Pakistan Society of Applied Economists of a key academic research institute and think tank, **Applied Economics Research Centre (AERC)**,

University of Karachi. The focus of discussion in the conference under aforementioned theme has potential positive consequences in evidence based understanding of the sectoral issues in terms of socio-economic and political dynamics of the central Asian region.

Unlocking the potential of Regional Economic Cooperation and Integration in Central Asia, the AERC international conference (2018) aimed at investigating the state of economic integration in Central Asia and identifies potential areas of CPEC for further strengthening sub regional linkages between Pakistan and Central Asia. CPEC is a part of the Belt and Road Initiative (BRI), which offers building of the other five corridors namely; (1) China-Central Asia Corridor, (2) Eurasian Land Bridge, (3) China-Mongolia-Russia Corridor, (4) Bangladesh-China-India-Myanmar (BCIM) Corridor, and the (5) Maritime Silk Road. In all of these five corridors at least three or more countries are involved. The CPEC, on the other hand, is an exclusive corridor between Pakistan and China to connect Kashgar with Gwadar and there is no third party involved.

Looking at the geo-strategic situation in the region, the important question arises that how the Central Asian Republics could be connected with Gwadar? It is traditionally thought that all roads from Pakistan into Central Asia go through Kabul or Wakhnan and as geo-political conditions in Afghanistan are not normal for the past several decades, we need to look deeply in to, how this opportunity of trade and connectivity would be enjoyed ? Since 1991, Pakistan-Central Asian trade has not been substantially increased; Gwadar port could become a hub-port for the Central Asian Republics and solution to address Pakistan-Central Asian trading woes.

These Republics could carry out their South Asia and the Gulf trade and transit-trade through Pakistan. Unfortunately, in the past quarter century, this trade is dismal and it has not gone beyond US\$ 76 million in spite of lofty announcements and innumerable pledges committed by top leadership on both sides. CPEC offers novel solution to address Pakistan-Central Asian trading woes.

With abundance of natural resources such as oil, gas, gold, and other metals, central Asian Republics have great potentials to investment in CPEC-related projects and also to investment in the new industrial zones. CPEC-related investment is expected to go beyond US\$ 150 billion for all projects. Out of 46 industrial zones, 9 zones have been identified and work on three industrial zones is going to start soon. Almost all Central Asian Republics have shown interest in joining the CPEC. Looking at vast trade and transit-trade and investment opportunities and potentials, Central Asian Republics should take the benefits of the CPEC.

The conference was attended by national and international academic scholars, eminent political and bureaucratic personalities, foreign delegates, think tanks, electronic & print media and students.

The concluding points / comments on the overall deliberations of the three days conference are as follows.

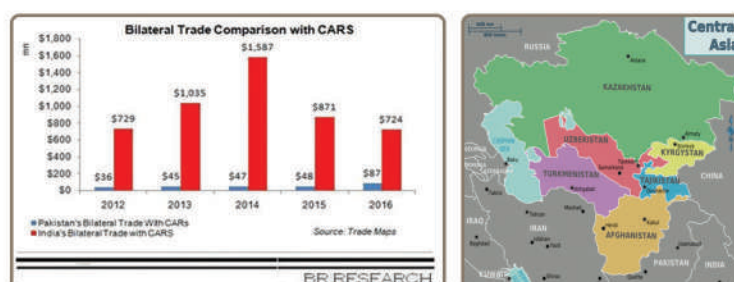
Regional Economic Integration Through Trade

Pakistan current status of trade:

- During July – September, 2018, Pakistan imports stood at USD 13.8 billion, an increase of 5.9% over the same quarter in FY2017.
- During the same time period exports were recorded at USD 5.9 billion, an increase of 3.6%.
- The trade deficit was recorded at USD 7.9 billion, an increase of USD 0.6 billion compared with the same quarter in FY17.
- At the end of the first quarter FY19, total foreign exchange reserves stood at USD 14.9 billion, out of which reserves held by State Bank of Pakistan (SBP) were recorded at USD 8.4 billion, a decrease of USD 5.5 billion.
- In FY18, import of services stood at USD 11 billion, an increase of 11.5 % compared to FY17.

Pakistan's trade with Central Asian Region (CARS)

- Pakistan's \$37.4 million exports to CARS in 2016 were less than 1 percent of CARS total imports which amounted to \$46 billion. India's exports to CARS were nearly 9 times more than Pakistan's exports.
- In FY18, import of services stood at USD 11 billion, an increase of 11.5 % compared to FY17.
- Among India's top exports to Central Asian States in 2016 were medicaments worth \$9.8 billion, rice worth \$ 5.2 billion, and cotton worth \$1.34 billion.
- Rice, medicaments, cotton, along with wheat, medical instruments, sugar, and cement are some of the top exports of Pakistan, in terms of quality and/or volume, which are in demand by the CARS.
- Given the scope of trade available with CARS, to see Pakistan's total export at \$37.4 million to CARS is lamentable.
- According to the State Bank of Pakistan current Pakistan's trade volume with the region stands at \$58.4 million.
- During the first eight months of the last fiscal year, Pakistan exported goods and services valued at \$50.7 million to the Central Asian countries while its imports from the region stood at \$7.718



- Pakistan's largest trading partner in the region is Kazakhstan, to which Pakistan exported goods worth \$36.8 million during the period, followed by Tajikistan and Turkmenistan.
- Pakistan's two-way trade with Uzbekistan was \$14.3 million during this period. The trade balance was in favour of Uzbekistan.
- The existing trade volume between Pakistan and Central Asian countries is below potential.

We need to increase trade with the Central Asian Countries.

Resources of Central Asian Region:

- Kazakhstan has roughly 3% of the world's oil, 4% of the world's coal, and 15% of the Uranium. Kazakhstan also has the world's largest reserves of zinc, lead and chromite, and it is in the top ten for supplies of copper, iron ore, gold and manganese.
- Kazakhstan, Turkmenistan, and Uzbekistan export oil and natural gas as well as liquefied natural gas. The Kyrgyz Republic and Tajikistan have major hydropower resources that could be channelized to market electricity to Afghanistan, People's Republic of China, Iran, Pakistan, and the Russian Federation.
- Kazakhstan is a prominent world leader in coal production. Moreover, Kazakhstan and Uzbekistan have uranium reserves.
- In terms of climate, Central Asia has geographic extremes including the world's northernmost desert (sand dunes), the world's shortest distance between non-frozen desert and permafrost, considered as the Eurasian pole of inaccessibility.
- Major sea routes include the Aral Sea and Lake Balkhash, both of which are part of the huge west-central Asian endorheic basin that also includes the Caspian Sea. All these factors enhance geo-political and economic importance of CARs.

Barriers to Regional Economic Integration with Central Asian Countries:

- Relations between Pakistan and Central Asian countries are focused around mutual history, religion, topographical vicinity, customs, culture and fate.
- Pakistan's longing for close financial and political relations with CASs have been tormented by Pakistan perpetual economic and political instability.
- Visa issues and non-tariff barriers are the major reason for low trade volume. No direct flights and cargo link between Pakistan and Central Asia, non-tariff language and communication issues are the barriers to increasing trade with Central Asia.
- Absence of a common border with any Central Asian state is one of the principle obstacles to approaching this area.
- Instability in Afghanistan and after the 9/11, US war against terrorism has constrained Pakistan to proceed.
- Topographically, Tajikistan is the most closely located state to Pakistan, the distance being just only 14-kilometers.

Regional Economic Integration and Governance

- The success of gains from Regional integration is tied solidly to effective political leadership within the region and in Pakistan.
- Beyond showing political will at the top, governments will also need to demonstrate sincerity and commitment to achieving set regional integration objectives.
- Government need to address urgently national political and socio-economic challenges which impede sub-regional and regional initiatives and integration.
- For that, they must put in place: good governance; responsible and accountable leadership; democratic norms and values; and effective state-society relations
- Countries in the face of endemic poverty, inequitable distribution of national resources, political corruption, ethnic fractionalization, ethnocentrism, and nepotism suffer grave negative political-economic implications for national, sub-regional and regional development.
- The lack of shared political, economic and social interests, norms and values undermine national development and the spillover effects are felt at the sub-regional, and regional levels.
- Although Pakistan has signed regional agreements and established regional institutions, the structures and institutions necessary to propel integration are either non-existent or weak at the national level.
- Beyond these weaknesses, however, the persistent over-reliance by our governments on external developmental assistance and aid.
- Whereas the rich natural resource endowments remain untapped at national, regional level are issues yet to be effectively addressed.

Regional Economic Integration and CPEC

The Belt and Road Initiative has Two International Trade Connections:

- ‘Silk Road Economic Belt’
- ‘21st -Century Maritime Silk Road’



CPEC is the Part of the Former One:

- CPEC is a collection of infrastructure projects that are currently under construction throughout Pakistan.
- Originally valued at \$46 billion, the value of CPEC projects is worth \$62 billion as of 2018.
- CPEC is intended to rapidly modernize Pakistani infrastructure and strengthen its economy by the construction of modern transportation networks, numerous energy projects, and SEZs.

Regional Economic Integration and Governance

- Special Economic Zones (SEZ) have been established in all provinces and regions in Pakistan under CPEC.
- The main object of SEZ is generation of additional economic activity, promotion of exports of goods and services and investment from domestic and foreign sources.
- The approximate value of CPEC projects is now worth \$62 billion.
- CPEC's potential impact on Pakistan has been likened to that of the Marshall Plan undertaken by the US in post-war period.
- Pakistani officials predict that CPEC will result in the creation of upwards of 2.3 million jobs between 2015–2030, and add 2 to 2.5 percentage points to the country's annual economic growth
- Enhancing connectivity through modernized road, rail and air transport networks will encourage business activity, people-to-people ties through scientific and creative circles.
- It will create a model of win-win partnership in the integrated region of Central and South Asia.
- The deep-water port of Gwadar, washed by the Arabian Sea, being one of the hubs of the corridor, in the future can establish communications with the countries of Central Asia with further access to Europe.
- The port will be connected by rail, road and energy routes to western China and all major cities of Pakistan.
- Central Asia, which has no access to the open sea but has considerable resources, has always sought to gain entry to regional markets, including the markets of Pakistan, China, India and West Asia.
- CPEC could provide Turkmenistan, Uzbekistan, Kyrgyzstan and Tajikistan with a strategic opportunity to promote their products in regional and global markets.
- Undoubtedly, the economic benefits of the project will ultimately lead to the growth in the well-being of all Asia space, which is a home for more than 4 billion people.



Inaugural Session (Day 1)

International Conference 2018 - Proceedings/ Insights



Prof. Dr. Muhammad Ajmal Khan



Prof. Dr. Samina Khalil



Dr. Uzma Irum

The Applied Economic Research Centre organized yet another three-day international conference this year on the theme “Central Asian Regional Economic Integration & CPEC: Challenges, Prospects and the Way Forward (CARRIC-PCWF) 2018”. The Conference was inaugurated by the Advisor to the Prime Minister for Institutional Reforms and Austerity Dr. Ishrat Husain and by the Vice Chancellor University of Karachi Prof. Dr. Muhammad Ajmal Khan.

Dr. Ishrat Husain congratulated the Director AERC for reviving the legacy of the Centre by arranging international conferences, seminar and lecture series and journal publication. He said that he wants to see Applied Economics Research Centre to take its position back as one of the top notch institution in Applied Economics in Pakistan. Dr. Husain suggested to expand the scope of the academic research of the Centre and to engage students from diverse background; he said that the need of time is to merge Economics with Politics, Psychology, Sociology and other subjects. Dr. Ishrat also said that AERC must also thrive to cover the future transformation of the economy from industrial economy to knowledge economy as under the new arrangements Pakistan would require 1st rate knowledge workers.

Prof. Dr. Muhammad Ajmal Khan congratulated Director Applied Economics Research Centre for not only inviting the intellects to discuss about the opportunities and challenges under CPEC faced by Pakistan but also for framing out the possible solutions to counter the issues raised. He said that China Pakistan Economic Corridor (CPEC) is one of the most important agreement that has taken place between the Pakistan and China. Dr. Khan believes that the effective and inclusive governance system may help in making sound and workable policies to ensure concrete base for lasting economic and social development of the region. All the sectors of our economy are in need of new set of rules and state of the art methods to improve the economic situation and set it on the path of lasting growth under CPEC.

Prof. Dr. Samina Khalil, Director Applied Economics Research Centre and Chief Patron of the Conference welcomed the distinguished Chief Guest, honorable Vice Chancellor, learned academicians and scholars and eminent speakers to the conference. Addressing the house on the theme she said that it is the time that we in Pakistan need to realize that we can capitalize on new regional and international development dynamics, including the Belt and Road Initiative (BRI), to strengthen regional infrastructure, raise productivity, boost trade, strengthen institutions and reduce poverty which is the ultimate objective of all growth related efforts of developing countries. She further added that the Chinese flagship project of Belt and Road Initiative that is CPEC has a pivotal role to play in Regional Economic Integration as Economic corridors would lead to integrating economies across regions. The project of CPEC is aimed to enhance the trade volume of not only Pakistan and China but of the whole region. This project is not merely a route that connects Gawadar and Kashgar but the opportunity for its players to enjoy the fruits of trade openness with Europe, Middle East, and South Asia and Central Asia. Some of their environmental effects notwithstanding, well-functioning and efficient economic corridors are essential for the development of a region as a whole.

Dr. Uzma Irum, Head of Conference / Seminar at Applied Economics Research Centre thanked all the panelist and participants for making the conference possible along with the conference team, administration, accounts, IT and logistic team and other working committees for working day and night to put forward a bigger and better conference this year. Addressing on the theme Dr. Irum said that this is the high-level international conference on economic integration and the 2030 Agenda for Sustainable Development, the universal, integrated and transformative agenda that aims to stimulate actions that end poverty and build a more sustainable world over the next 12 years. The Central Asia Regional Economic Cooperation (CAREC) Program leading to 2030 provides the new long-term strategic framework for the region. The CAREC Program, now 17 years in operation, has recorded impressive achievements in regional economic cooperation, particularly in the areas of transport, energy, trade facilitation, and trade policy. From 2001 to end September 2017, investments in member countries under CAREC have amounted to \$30.5 billion, covering 182 projects. CAREC builds on the solid foundation of progress which provides the new long-term strategic framework for the CAREC Program leading to 2030. CAREC is aligned with national strategies and with the global development agenda. It is inspired by a mission to create an open and inclusive platform that connects people, policies and projects for shared and sustainable development.

CPEC, CAREC and Pakistan

Quaid e Azam Lecture delivered at the AERC International Conference on December 18, 2018

Dr. Ishrat Husain

Pakistan has embarked upon an ambitious program of economic cooperation with China under its Belt and Road Initiative (BRI). China-Pakistan Economic Corridor (CPEC) is one of the six economic corridors that would connect China with the rest of the world. In the first phase that began in 2015 energy and infrastructure projects along with the development of Gwadar were focused upon. Almost USD 27 billion worth projects have either been completed or in different stages of completion. CPEC is now entering its next phase in which industrial cooperation, trade and market access, agriculture development and poverty alleviation, and socio economic development would be given high priority. However, it is hardly realized that our regional cooperation efforts are not limited to China only. Pakistan is either a member or currently participating in SAARC, ECO, Shanghai Cooperation Organization (SCO) and CAREC. Some of these organizations have been in existence in one form or the other for several decades. However, a dispassionate analysis would indicate that the desired benefits from these regional cooperation initiatives have not yet translated into meaningful results. It is against this background that we should examine as to how CAREC and CPEC can help Pakistan in meeting its development goals. Let me emphasize that it is only when there is a fit between the goals of these regional organizations and the country's own national strategies that there would be positive net gains. Therefore, a win-win situation or positive sum game rather than zero sum game should be the outcome of these efforts.

CAREC is a partnership of 11 countries (Afghanistan, Azerbaijan, China, Georgia, Kazakhstan, Kyrgyz Republic, Mongolia, Pakistan, Tajikistan, Turkmenistan and Uzbekistan) supported by six multilateral institutions to promote development leading to accelerated growth and poverty



reduction. The four priority areas are: Transport, Trade Facilitation, Energy and Trade Policy. It may be noted that these four priority areas are almost identical to those identified under CPEC. Therefore there is an internal consistency between the two initiatives which can produce synergies for the entire region. ADB plans to provide \$ 5billion over next five years in financial support for these priority areas of CAREC which can be leveraged. Pakistan has already two on going mega projects i.e. CASA hydropower project exporting power from Krgyz and Tajikistan to Afghanistan and Pakistan and TAPI supplying natural gas from Turkmenistan to Afghanistan, Pakistan and India. The recently completed E 35 highway connecting Hasan Abdal with Havelian would open up connections with the Northern areas and then with the Central Asian neighboring countries. Thus CPEC infrastructure projects can be connected with Afghanistan and onwards to Tajikistan and Uzbekistan. The route from these landlocked countries to Gwadar would be the shortest for carrying their goods for international trade if road and rail connections are established, trade facilitation across borders is enabled as off shoot of the CPEC or as part of CAREC projects. Many other advantages of this cooperation can be extracted. For example, given the surplus and shortages of skilled labour force in different CAREC countries a labor market information system can be developed focusing on skill needs, regional job matching and placements, language training and cross border higher education and technical training offerings. Similarly better transport connectivity can help promote agriculture commodity trade. Support for sanitary and phyto sanitary measures, trans boundary animal disease control, Basin water management and improved management of rivers can be a stimulant for agriculture in the region.

However, in the immediate future Pakistan has to rely upon CPEC and Chinese investment. China's FDI flows have now reached one sixth of the total global flows becoming a significant player and the BRI would further enhance these flows from China. There are both push and pull factors that would determine the destination of these flows.

Empirical evidence shows that large market size, infrastructure, trade openness, faster economic growth, currency value and gross capital formation are some of the main determinants of FDI flows to developing countries.

First, let us examine the pull factors which would facilitate the Chinese to choose Pakistan as one of the possible target countries for investments in Pakistan's industries. CPEC has already relaxed one of the major constraints i.e. the energy shortages by committing almost \$35 billion for generation and transmission projects over the period 2015-2022. The other component of the CPEC i.e. Road and Rail infrastructure would achieve the completion of three corridors – the Eastern, Central and Western high ways and motorways from Gwadar to Kashgar and upgradation of Peshawar – Karachi railway system. The more important corridor from socio-economic development viewpoint would be the western route which would integrate several backward districts of Pakistan in Balochistan and Southern KP with the rest of the national economy. Roads and motorways by themselves would not create economic activity but It is careful planning of the Special Economic Zones (SEZs) to be set up along these corridors which can bring about industrialization, export expansion, employment opportunities, transfer of technology and skills.

On the financial side, Currency swap arrangements between the two countries will allow traders under CPEC to have transactions in Yuan and the Chinese companies investing in the projects of CPEC can have repatriation of profits in terms of Yuan instead of Dollars. Trade in national currencies will shield both the countries against exchange rate fluctuations caused by third country currency.

Another positive development is the cross border fiber optic cable connectivity that stretches from Xianjiang to Islamabad which will provide secure interconnection and avoid international network links thereby reducing internet costs with overall improved internet performance. Fiber optic cable will not only digitally connect Pakistan with China but also the Central Asian Republics.

Trade facilitation, E-Commerce, E-Government and interchange of data electronically would be supported by this connectivity.

In addition to the specific measures outlined above that would help Chinese investors seriously consider Pakistan as destination the size of Pakistan's market, the growing urban class enjoying rising purchasing power and the large proportion of millennials exhibiting global tastes and preferences also act as an attraction.

However, there are several areas in which we have to do a much better job in competing for the Chinese FDI and more importantly the relocation of the Chinese labour intensive export industries in our Special Economic Zones.

One of the inhibiting factors is the poor quality of our institutions, lack of coordination between different government agencies and the inordinate delays in obtaining approvals clearances and multiple no-objection certificates in a sequential manner. These delays result in cost overruns and slippages in timelines for the completion of the projects. The Federal and Provincial Boards of investment are, in theory, supposed to assist the investors in resolving their problems but in actual practice they do not have either the clout or the resources to do so. Accordingly, the popular perception that Pakistan is a difficult and costly place to do business continues to persist. This perception is fortified by the delays in obtaining visas, work permits and frequent security checks and scrutiny.

Another factor that also unfavorably affects foreign investors is cross border trade facilitation both on the sides of imports as well as exports. Discretionary powers in the hands of petty officials for clearances and approvals, convoluted procedures and onerous documentation raise transactions costs and cause impediments for the business in making timely and reliable delivery of goods to their customers. OECD has estimated that trade transaction cost might amount to 15 percent of the value of traded goods. Thus simplification, harmonization, automation of procedures, use of ICT tools and electronic exchange of information are needed to improve regulatory environment, customs clearance and enhance port efficiency.

Corporate tax rates in Pakistan are also relatively higher than other emerging countries vying for FDI. These rates act as a disincentive for those trying to base their decisions on maximization of profit after tax across different jurisdictions. Frequent calls by the tax authorities to deposit advance taxes before profits are in fact generated also tick off many multinational companies. An unstable and downward moving exchange rate further lowers the returns in dollar terms. The recent experience of December, 2017 to December, 2018 whereby rupee depreciated by almost 30 percent has not been very conducive for attracting foreign investors.

Trade-related investment is another area which has not been fully explored. Chinese companies can relocate those industries which have become non-competitive due to rising labour costs. This is already happening in Viet Nam and Cambodia where several companies have shifted their production platforms. Research has shown that China's FDI has contributed to economic restructuring of Viet Nam in the direction of industrialization and modernization, increased export turn over and improved the current account and international payment balance. Viet Nam exports to China have risen from \$ 29 billion in 2012 to \$ 50 billion in four years time with a large trade surplus in favour of Viet Nam. In the same period Chinese FDI jumped seven fold from \$ 312 billion to \$ 2.2 billion. Processing and Manufacturing accounted for 61 percent of total investment capital from China. Textile and garments and metal processing industries alone amount to 50 percent of total Chinese FDI flows. Learning from this lesson Pakistan can also make best efforts to attract the Chinese investors to Pakistan as it is a win-win situation for both the countries. Chinese firms would have an edge in design, branding and market access while their Pakistani Joint Ventures would fabricate or manufacture the goods at relatively low cost of production. The Pakistani factories if located in the Special Economic Zones (SEZs) along the Road corridors would be able to ship the goods through Gwadar Port at a relatively

reduced cost. This arrangement would enable Chinese partner companies maintain links with their traditional customers and boost their profitability while create jobs and increase manufactured exports for Pakistan. Unlike infrastructure projects under CPEC , which are Government to Government transactions, industrial cooperation between the two countries would be solely between private businesses.

To promote trade related investment and facilitate Pakistan to become part of the global value chain of the Chinese manufacturers , the Free Trade Agreement between China and Pakistan should be revised and geared towards trade creation opportunities for Pakistan. Tariff concessions should be aimed at those goods and commodities in which Pakistan has revealed comparative advantage and is also able to take advantage of the value chain in which China assembles final goods. For example, the FTA with ASEAN countries has zero tariff on Textiles, Apparels, Vegetables and Fruits etc while Pakistan has tariff rates on these products that range up to 10 percent. As a consequence Pakistan has lost preference on 79 percent exports to China after ASEAN FTA. Exports from ASEAN to China have almost doubled from \$ 10 billion to 19.6 billion in last seven years while those from Pakistan to China have remained insignificant. Bringing Pakistan under the same tariff regime as enjoyed by ASEAN would help reduce the current trade imbalance. China would continue to remain a dominant exporter to Pakistan as it enjoys price advantage in Machinery and equipment and raw materials needed by the Pakistani economy.

Pakistan has abundant labour mainly of unskilled and semi-skilled nature but is deficient in skilled and technical labour needed for industrial growth. The total number of jobs in the nine SEZ s is estimated to be 1 million at the peak. Therefore planning and arrangements for training in the relevant skills, trades and vocations have to be put in place immediately. Public sector institutes are either non functional or do not meet the requisite standards. Technical and Vocational Institutes operated by the private sector should be established in the SEZs to align the demand in each zone with the curriculum, and courses offered by these institutions. Apprenticeship training and attachment with the various industrial units should form an integral part of the curriculum. Master trainers in various fields can be sent to China for six months to nine months training so that they can come back equipped with the latest techniques and tools and disseminate these among the students.

To conclude, Successful corridors such as CPEC or CAREC can exploit economies of scale , expand the size of market through better connectivity but the recipient countries themselves have to work on strengthening their institutional capacity, human resource and skill development policy , provide ease in doing business and cut down the costs by simplification and streamlining of the procedures particularly those related to trade facilitation. As CAREC member countries are getting urbanized, the growth effects of agglomeration that accompanies urbanization can be quite strong provided the infrastructure linkage is maintained in top shape and conditions are made propitious for private sector investments. The integrated space within economic corridors relies upon free movements of labour and capital and trade & investment flows. Successful corridors require economic density as well as corridor-wide energy & transport linkages. These economic corridors can indeed boost competitiveness through improved logistics, lowered costs of production and distribution of both goods and services under an enabling environment of transparent and predictable policies , credible institutions, properly aligned incentives and resilient investments.

Dr. Guoliang Wu on the other hand highlighted and explained that CAREC 2030 mission aims to create “A Regional Cooperation Platform to Connect People, Policies and Projects for Shared and Sustainable Development”. The development partners are working to promote development through cooperation, leading to accelerated growth and shared prosperity. By the end of September 2018, \$32.9 billion



investments covering 190 projects in the areas of transport and energy connectivity, trade and economic corridor development were completed under the arrangements.

Dr. Wu shared that the priority areas under CAREC are Economic and Financial Stability, Trade Facilitation and Trade Policy, Infrastructure and Economic Connectivity Cluster, Agriculture and Water Cluster and Human Development Cluster. While the specific objectives under each priority includes; regional learning and knowledge sharing on economic and financial stability, with focus on sector linkages and policy responses, promoting financial and monetary cooperation through information exchange forum among central banks & capital market regulators and developing common approaches to international standards, leading to eventual cross-listing of securities. While Trade Facilitation and Policy could be done by supporting for WTO TFA, single window and coordinated border management, mitigating non-tariff barriers: SPS & TBT, promoting trade in services, regional trade agreements and people-to-people contact. It could also be achieved through supporting community-based, economic and urban-tourism and by harmonization of visa regimes. Economic corridors can be promoted through welcoming the regional and global value chains, completing the ABEC and through supportive urban policies and programs. Whereas transportation can be promoted through multimodal and sustainable transportation systems, railway management and improving railway infrastructure, liberalization of civil aviation and open-skies agreements, logistics infrastructure to facilitate transport in landlocked countries and road safety and road asset management. Clean & renewable energy by leapfrogging technologies to curb carbon emission; consider emission trading systems and integrating energy markets through TUTAP, TAP and TAPI. While addressing agriculture and water management problem regional knowledge sharing on adaptation and agricultural technologies is necessary with conservation of bio-resources through cross-country ecosystem while “early harvest” areas could also include irrigation efficiency, flood risk management and water contamination reduction. Integrated labor market information system development and cross-border higher education and TVET program offerings and recognition of mutual skills and qualifications is also the part of priorities. While in the area of health, communicable diseases control and pandemic risk management, health-related surveillance systems and cross-learning in prevention and treatment protocols is also promoted.

Dr. Wu said that the government in order to capitalize the priorities set should further promote high value-added activities in which Pakistan and Central Asian countries can be competitive in international markets and should prioritize clustering of activities surrounding value chains to help industries move up the value chain by developing more technological sophistication. Reducing high trading costs to eliminate trade distortions within supply chains and strengthen regional competitiveness of industries and facilitating trade in collaboration with DPs to diversify exports, improve trade logistics, lower transportation costs, and reduce NTBs at and behind the border can also be of help. The government should also focus on establishing business-friendly visa arrangements to facilitate movement of professionals, workers, traders, investors, and freight forwarders etc and should also appreciate regional interdependence that enhances and promotes national and regional competitiveness and promote sustainable growth. The government should also carefully align national interests with regional priorities, manage risks to mitigate social, economic and environmental consequences due to increased connectivity, foster enabling environment for private sector participation and leverage support from development partners.

Mr. Shahnawaz Mahmood addressing the investment opportunities available under CPEC, said that China’s economy is expanding by an average of 8 percent per year. Any fluctuation in China’s economic and financial market creates huge impact on the trading partners’ economy. Before the financial crisis of 2008, the volatility in Chinese market used to create 2 to 3 time change in the regional markets especially of export oriented economies such as Korea and financial centers such as Hongkong and Singapore.

Mr. Mahmood also added that Chinese currency Yuan has important relationship with other currencies of the region as Asian equity markets are highly correlated with the Chinese Stock Market. Chinese market is more focused on production of high value added goods, thus there remains great potential for Pakistan and other trading partners to enter Chinese economy through such production. While in the agricultural sector of Pakistan the production inefficiencies can only be reduced through structural transformation and changes. He said that efficiency can be improved through target subsidies within the system such as CAREC has given to promote small and medium scale industries of the region.



Mr. Shahnawaz Mahmood

Mr. Shahnawaz also emphasized that it is necessary to first target regional connectivity and then global connectivity. He also promoted the role of public-private partnership for the successful and efficient completion of the projects such as in specialized economic zones in the CAREC region. There also remains room for research collaboration in the region with the special focus on peace and stability building activities which will foster the economic growth of the region collectively.

Dr. Farrukh Iqbal highlighted the need of knowledge based workers under CPEC of which the need is being catered through academic trainings and exchange programs. The exchange programs let the professionals to get hands-on training on the latest technology in China and are later transferred to Pakistan for sharing the skills learned. The trained professionals are most likely to take over the high level projects of energy and infrastructure under CPEC in the Pakistan. Dr. Farukkh Iqbal weighted on the importance of accumulation of new skills and advised the students to acquire and up-grade their knowledge for future opportunities.



Dr. Farrukh Iqbal

Parallel Technical Sessions (Day 1)



Mr. Ali Abbas SI(M)



Dr. Syed Hasanat Shah



Dr. Ashraf Wasti

Under the main theme, Central Asian Regional Economic Integration & CPEC: Challenges, Prospects and the Way Forward (CARRIC-PCWF), the Parallel Technical Sessions on the first day of the conference was observed on subthemes; Trade and Regional Economic Integration, FDI, Trade and Regional Economic Integration and Stock Market Efficiency and Economic Growth.

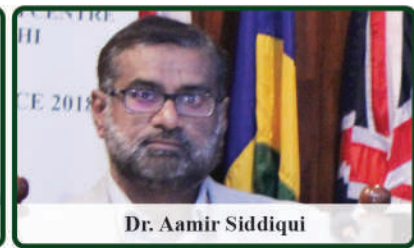
The Technical Session on Trade and Regional Economic Integration was chaired by Commadore (retd) Ali Abbas, Director Bahria University Karachi and was reviewed by Dr. Bilal Ahmed, Director Research and Development Federation of Pakistan Chamber of Commerce and Industries and Dr. Amir Hussain Siddiqui, Research Economist Applied Economics Research Centre. The participants of the session included Dr. Adam Saud from International Relations, Bahria University Islamabad, who presented his paper on Changing Dynamics of Uzbekistan's Foreign Policy Under Shavkat Mirziyoyev: Prospects for Central Asian Regional Economic Integration. Mr. Miraj-ul-Haq from



Mr. Bilal Ahmed



Dr. Shaista Alam



Dr. Aamir Siddiqui

International Institute of Islamic Economics, Islamabad presented his paper on Exploring Potential and Perils of Pak-China Bilateral Free Trade Agreement: Trade Creation and Trade Diversion Approach, Ms. Aisha Nazir from Government College University Faisalabad presented her research on Nexus between Human Capital, Economic Growth and Trade Liberalization: A Regional Comparison of selected South and East Asian Countries while Ms. Kubra Siraj from Applied Economics Research Centre who presented her study on The Impact of Trade Facilitation on FDI and Trade: Empirical Analysis for South Asian Countries.

The Parallel Technical Session on the subtheme FDI, Trade and Regional Economic Integration was chaired by Dr. Syed Hasanat Shah, Associate Professor & Foreign Expert, from Jilin University, China. The discussants of the session were Dr. Shaista Alam, Associate Professor Applied Economics Research Centre and Dr. Syed Tehseen Jawaid, Assistant Professor, Applied Economics Research Centre. The participants of the session included Ms. Saba Ashiq from Quaid-e-Azam University Islamabad who presented her paper on An Empirical Analysis of Economic Growth-FDI Nexus: The Role of FDI Volatility in Pakistan, Ms. Amna Sohail Rawat from Iqra University presented her research on the Determinants of Chinese Foreign Direct Investment: Lessons from CAREC Countries, Ms. Mahnaz Muhammad Ali from The Islamia University Bahawalpur who presented her study on Foreign Direct Investment and Current Account Balance: The Case of South Asian Economies and Mr. Muhammad Akbar from NUML, Islamabad who shared his study on The Impact of Foreign Direct Investment on Economic Growth through the Channel of Economic Freedom: The Case of Asian Economies.

The Technical Session on the theme, “Stock Market Efficiency and Economic Growth”, was chaired by Dr. Syed Ashraf Wasti, Ex-Associate Professor Applied Economics Research Centre and was accompanied by Dr. Wali Ullah, Associate Professor, Institute of Business Administration, Karachi and by Dr. Kalim Hyder, State Bank of Pakistan as the discussants. The participants of the session included Mr. Asad Ali from Institute of Business Administration, Karachi who presented his paper on Stock Market Efficiency: The Pakistan Stock Exchange Merger, Mr. Muhammad Shafiq-ur-Rehman from Applied Economics Research Centre who presented the study on The Empirical Determinants of Stock Market Development-Analysis of Developed and Developing Economies, Mr. Mubaashar Hussain from Mohammad Ali Jinnah University, Karachi presented his paper on Exploring the Nature of Relationship between Political Instability and Economic Growth: A Case of Pakistan and Dr. Muhammad Arshad from Shaheed Zulfikar Ali Bhutto Institute of Science and Technology presented his study on the Long-Run Sources of Economic Growth: A Regime-wise Analysis for Pakistan Economy.



Dr. Tehseen Jawaid



Dr. Wali Ullah



Dr. Syed Kalim Hyder

Panel Discussion - (Day 1)

Topic Regional Economic Integration Through Trade

The Panel Discussion on the first day of the conference was held on Regional Economic Integration through Trade. The session was chaired by Dr. Waqar Masood Khan, Former Secretary Finance, Ministry of Finance, Government of Pakistan while the panelist of the session included Prof. Dr. Qazi Masood Ahmad, Chairman, Centre of Executive Education, Department of Economics and Finance, IBA, Karachi; Mr. Salmaan Farooq, Regional Trade Promotion Advisor, Pakistan Regional Economic Integration Activity (PREIA); Mr. Shabbar Zaidi Territory Senior Partner and Chairman A.F. Ferguson & Co, Chartered Accountants, Karachi and Dr. Syed Hasanat Shah, Associate Professor, Foreign Expert, Jilin University China.

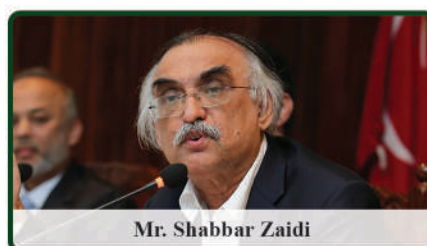
Dr. Waqar Masood Khan addressing the house said that CPEC is a valuable initiative which would serve as a radical break from the past through regional corporation and integration. He said that CPEC has potential to raise the base of economic development and economic growth in the country. CPEC is considered as a flagship project for long term development and partnership among the regional powers. Dr. Khan said that threat to the project could be aggression and terrorism to destabilize Pakistan and the region by the international powers. He said that it is because of the state of terror in Afghanistan that there is no peace in Pakistan.



Prof. Dr. Qazi Masood Ahmad speaking about integration said that Pakistan is confronting many challenges today which are serving as great hindrance in connectivity and integration. The challenges for the country accounts for current account deficit, trade deficit, low investment, depleting foreign reserves and low share of exports. Dr. Qazi said that the trade potential of Central Asian economies is not fully explored by Pakistani business community. The trade between Pakistan and Central Asian economies accounts for only 100 million USD. There are several linkages that can be created between Pakistan and Central Asian economies but before that the regional powers must counter terrorism, extremism and political instability collectively. Pakistan in order to capture the new market must work on supply side issues. The country must overcome energy crisis, control law and order conditions and exchange rate. For the smooth economic and trade integration the key idea lies behind creating political will and good relationship with regional partners and then opening the borders for free trade.



Mr. Shabbar Zaidi emphasized upon capturing the increasing demand of the consumers of the region through integration and trade facilitation. Mr. Zaidi said Pakistan unfortunately is not yet ready to capture the growing demand as the population of its neighboring economies is growing rapidly. He said that it is due to lack of vision and fortitude to design policies that Pakistan is facing immature decentralization of its industrial units. The rubber and plastic that was manufactured previously within the country to make shoes is now imported from China. The heavy reliance on imports has to face highest trade deficit in the history in June 2018. Pakistan must make terms with China in such a way that industrial base under CPEC should replace Pakistan's import or otherwise there would remain a room to revise the economic rational of the project. He said that Pakistan should negotiate that with CPEC, domestic manufacturing units should not get hurt and that the industrial base would assist Pakistan in decreasing the import bill.



Mr. Salman Farooq comparing the composition of trade with developed countries and Central Asian economies said that 80 percent of our total exports are directed to EU and American countries while the share of export is only 68 USD million to Central Asian countries. He said that due to high non tariff barriers in Central Asian economies, Pakistan is still not able to capture the market. There is a high cost of visa for business community in Central Asian countries as compared to the visa cost in EU and USA. Due to complications the businessman is still not familiar with the requirements and demand of the market there. There is also the language barrier in these countries, only a small share of people are able to communicate in English there. Mr. Farooq also said that trade is cheaper through sea as compared to road and air route. For Pakistan to reach Central Asian markets, transit routes remain a challenge as they have to pass through Afghanistan which gets affected due to change in political situation and through China which gets affected by weather and remains nonoperational for at least six months in a year. The banking system in Central Asia is not globally recognized which cause the delays in payment. He also said that unlike with EU in terms of GSP and GSP Plus Pakistan does not have any specific trade agreement with the Central Asian economies. Trade facilitation and bureaucratic process is extremely complex and lengthy in these countries, it takes at least 24 months for companies to register and trade with the country after approval from government departments.



Mr. Salman Farooq

Dr. Syed Hasnani Shah highlighting the importance of trade and welfare said that according to the theory and in practice, trade increases the overall welfare of the society, however the redistribution of the welfare may differ. Dr. Shah said that China did not open its economy for trade from 1949 to 1979 and this period the country prepared itself domestically to compete with the foreign competition. The growth of China's economy increased rapidly after it opened it for the international trade. Pakistan, without preparing its economy for competition and comparative advantage and without any planning, open its economy for international trade thus is facing many challenges to cope up with. Pakistan borrowed huge amount of money on different grounds from different international donors but failed to utilize them effectively. Pakistan even today does not really know what it is going to export to China and what are the needs of the consumer there but is still ready to integrate and trade with the region. Pakistan currently is facing policy inconsistency, energy crisis, low education skill level, under developed entrepreneurship and lack of human capital. The country must figure out its dynamic reveal comparative advantage rather than static reveal comparative advantage and tap the potential markets.



Dr. Syed Hasnani Shah



Day 02

Sir Syed Ahmed Khan Lecture



Dr. Gubad Ibadoghlu



Dr. Safdar Sohail



Dr. Kaiser Bengali

The Sir Syed Ahmed Khan Lecture on day two of the international conference of Applied Economics Research Centre was chaired by Dr. Kaiser Bengali, Dean of Management Sciences, SZABIST Karachi while the keynote speakers of the sessions included Dr. Gubad Ibadoghlu, Senior Analyst, Economic Research Center, Baku-Azerbaijan and Professor at Rutgers University, New Jersey, USA and Dr. Safdar Sohail, DG National Institute of Management, Islamabad.

While addressing the audience on External and Internal Challenges for Pakistan, **Dr. Gubad Ibadoghlu** said that there lies huge difference in the composition of exports of Pakistan and Azerbaijan. Pakistan's Textile and Cotton sector on average accounts for 55.39 percent of Pakistan's total export earning while Crude oil export on average accounts for 88 percent of Azerbaijan's total export earnings. He said that the export price of 1279 pound cotton in Pakistan is equals to retail price of 1 iPhone Xs Max while export price 20 barrel crude oil is equal to the retail price of 1 iPhone Xs Max in Azerbaijan. In 2011, demand for cotton was high, and the demand for iPhone was low compared with the current level of demands while the production cost of iPhone is lower than cotton or crude oil. In general cotton and crude oil production requires more labor and capital input than iPhone. China accounts for the second largest share in the world GDP by 15 percent while the biggest player is USA's economy that holds for 24 percent. India holds for 3 percent in the world economy's share while Pakistan does not hold any substantial share. China today is the largest growing economy in the world; in 1992 Russia's GDP was 11 percent larger than China while in 2016 China's economy was 536 percent larger than Russia. In 2017 China stood to be the most attractive market with strength in market size, consumption capacity and commercial infrastructure and has advantage over others on market growth rate while India is the third most attractive market with edge. In Pakistan the Real GDP growth on average is 4.3 percent and Consumer Price Inflation remained at 8.8 percent while the general government fiscal balance remained -4.7 and Current Account Balance at negative 1.3 percent of the GDP over 2000 to 2014. For Pakistan to learn lesson from its regional partners the country must focus on rapid industrialization, shifting economy to digitalization and high technology and robotics. Pakistan must also explore aviation and ocean engineering and work towards energy conservation and expanding medicine and pharmaceutical market and on-line trade and sales and should also work keenly towards regional integration.

Dr. Safdar Sohail on the other hand in his talk focused on development through regional integration. He said that the main hindrance in Pakistan's way towards connectivity and growth is the structural and infrastructure problems. The contribution of Manufacturing sector in GDP declined from 26 percent to 12 percent in the last 15 years. Under CPEC, establishment of industrial parks and zones therefore was given due importance since the beginning. China has principal advantages on national integration, efficiencies, technology and financing under BRI and has experienced successful transformation of Western China growth with other countries. Whereas for Pakistan the biggest constraint for long term development is lack of modern infrastructure and adaptability. Pakistan must overcome the bottleneck, particularly in energy, to match the world's pace. By the establishment of

Gawadar Port, the new connectivity would emerge that would help to develop the remote and underdeveloped areas of Pakistan such as Balochistan, KP and Gilgit Baltistan. With Chinese aid Pakistan would eventually be able to grow and develop its export compatibility and output.

Dr. Safdar further told the house that under CPEC early harvest projects of energy and infrastructure are either completed or at the different stages of completion. The outlook of CPEC includes connectivity, energy, infrastructure and Gawadar; the short-term outlook includes energy and transport projects while the long-term outlook includes principal areas of cooperation such as special development, tourism, connectivity, ICT, financing, agriculture, industrial parks and water management. The real objective of creating SEZs is to transform the transport corridors into economic corridors by developing under developed parts of the country under unified industrial development. He also said that the new connectivity would create new and modern cities and thus new economic zones.

Under CPEC and BRI the first pillar is to create connectivity and social special development zones while the next pillar is of regional connectivity. However the industrial cooperation has not achieved as desired; in 2013 industrial cooperation was taken up as shield anchor of the economic corridor while recently it has been put as the long-term plan of the CPEC. Pakistan established its Joint Working Group in 2013 on industrial parks in the Board of Investment. It has been established due to controversies created on the sites of industrial zones those industrial parks in one of the many ways to industrial cooperation. The Board of Investment has formed five sub-groups on Textile; Mines; Agriculture; Iron and Steel and Chemicals and has allocated them to different ministries to end the conflict. Pakistan even then performed bad mainly due to provincial and federal politics and because of the lack of clear and targeted vision and lack of mobilization of domestic resources. Pakistan must create transparent and clear financial mechanism for setting up industrial parks with China and must develop sectoral corporation and bilateral trade. Pakistan must also extend market lead government support and must target deeper integration from shallow integration through comprehensive and focused bilateral agreements.

Dr. Kaiser Bengali while concluding the session said that China and India are rising powers of the world today while Pakistan is situated in between the two emerging powers and is continuously falling behind. There is persistent increase in the consumption and imports of the country with low investment rate and exports. Since the beginning, Pakistan has ambiguous and unclear vision of CPEC and is not able to decide what strategy to adopt to move forward. He said that CPEC is highly politically driven initiative which is initiated to benefit Punjab the most. It would have been much cheaper to install energy plants in Karachi than anywhere else in the country. Dr. Bengali thinks that serious political commitment and will is lacking in the leadership of the county. Basic institutions of law and order and judiciary must be first reformed to practice intra and inter regional connectivity.

Parallel Technical Sessions (Day 2)

On the second day of the international conference, Parallel Technical Sessions were held on various socio-economic themes under the umbrella of the main theme Central Asian Regional Economic Integration & CPEC: Challenges, Prospects and the Way Forward (CARRIC-PCWF). The sub-themes of the Parallel Technical Sessions were CPEC and Regional Economic Integration, Human Development/welfare and Regional Economic Integration and Health, Nutrition inequalities and Regional Economic Integration.

The first Parallel Technical Session on CPEC and Regional Economic Integration was chaired by Engr. M. A. Jabbar, Life member of SAARC Chamber of Commerce and Industry and FPCCI while



Engr. M.A. Jabbar



Prof. Mehtab S. Karim



Prof. Dr. Syed Nisar Hussain Hamdani

Dr. Muhammad Rizwan-ul-Hassan, Assistant Professor Department of Economics Mohammad Ali Jinnah University and Dr. Muhammad Sabir, Principal Economist SPDC, Karachi were the discussants for the session. The participants of the session included Mr. Ahsan Munir from Islamabad who presented his study on An Integrated Model For Technological Capability Upgrading Of Manufacturing Cluster(S) Of Pakistan Involving Collaboration With Sez(S) Along CPEC. Dr. Manzoor Ali Isran from Department of Management Science, SZABIST Karachi presented his research on CPEC: Threat Or Opportunity: Protecting Local Industry through Infant Industry Theory.

Mr. Talha Mustafa from Regional Connectivity Division, COE-CPEC presented his study on Identifying Complementarities and Synergies between CAREC and CPEC for Regional Integration and CPEC in the Perspective of Pakistan Economy: Analysis of Past, Present and Future and Mr. Ishtiaq Ahmad from The Islamia University of Bahawalpur presented his study on CPEC in the Perspective of Pakistan Economy: Analysis of Past, Present and Future.

The Parallel Technical Session on Human Development/welfare and Regional Economic Integration was chaired by Professor Mehtab S. Karim, Vice Chancellor, Malir University of Science & Technology, Karachi while the discussants of the session were Dr. Adnan Haider, Associate Professor IBA, Karachi and Dr. Noman Saeed, Assistant Professor, Applied Economics Research Centre. The participants of the society included Mr. Syed Hassan Raza from National University of Modern Languages, Faisalabad who presented his research on The Impact of Globalization Quality of Life: An Empirical Investigation for Asian Countries. Mr. Majid Ali Rana from National College of Business & Economics, Lahore, Pakistan presented his study on, “An Application of Cost Malmquist Index: A case study of District Headquarters (DHQs) Hospitals of Sindh (Pakistan)”. Mr. Sami Ullah Qureshi from Applied Economics Research Centre presented his study on the Determinants of Private School’s Existence- A Case Study of Pakistan and Dr. Adiq. K. Kiani from Federal Urdu University Islamabad presented her study on the Household Remittances And Welfare Impact: An Econometric Analysis.



Dr. Muhammad Sabir



Dr. Muhammad Rizwanul Hassan



Dr. Tariq Majeed



Dr. Noman Saeed



Dr. Lubna Naz



Dr. Syed Ammad Ali

The Parallel Technical Session on Health, Nutrition inequalities and Regional Economic Integration was chaired by Prof. Dr. Usman Mustafa, PIDE, Islamabad while the discussants of the sessions were Dr. Tariq Majeed, Associate Professor, QAU, Islamabad and Dr. Lubna Naz, Assistant Professor Department of Economics University of Karachi. The participants of the session included Ms. Nilam Bano from Applied Economics Research Centre who presented her study on the Determinants of Child Nutritional Inequalities in Pakistan: Regression Based Decomposition Analysis. Mr. Nadeem Ahmed from IBA Sukhar presented her study on the Health, Trade Openness and Economic Growth in ASEAN. Ms. Zeenat Zia from Government College University, Faisalabad, presented her study on Socioeconomic And Demographic Factors Affecting Child Health In Bangladesh and Ms. Shamsa Kanwal from Quaid -E- Azam University, Islamabad presented her study on the Has Globalization Improved Life Expectancy And Depressed Child Mortality? An Empirical Analysis.

Panel Discussion - (Day 2)

Regional Economic Integration and Governance

The Panel Discussion on day two of the conference was held on Regional Economic Integration and Governance. The session was chaired by Mr. Syed Salim Raza, Former Governor, State Bank of Pakistan, Ex-CEO, Pakistan Business Council, Member Economic Advisory Council, Government of Pakistan while the panelist of the session were Dr. S. Akbar Zaidi, Consultant Economist, Pakistan Associate Professor, Columbia University, USA, Mr. Muhammad Iqbal Tabish, Chief Executive-PIDC, Prof. Dr. Riaz Ahmed Shaikh, Dean, Faculty of Social Science & Education Department. SZABIST, Lt. Gen (R) Moinuddin Haider, Ex Governor of Sindh and Dr. Safdar Sohail, DG National Institute of Management, Islamabad.

Mr. Syed Salim Raza speaking on the regional economic integration said that in 1980s and 1990s, 92 percent of the world trade was between advanced markets and emerging markets and only 8 percent was inter-air while today inter-air is 35 percent. China is playing major role in promoting trade and economic activities, it has world largest foreign exchange reserves and they have 40 percent import component in their exports which comes from other emerging markets. He said that China is now diversifying its pattern of industrialization to artificial intelligence (AI), super computer and aeronautical engineering. China's policy of one child has created the shortage of labour in the country However China wants to use their own labour for foreign value added products. China has 20 percent of world's GDP and is the second largest economy by Purchasing Power Parity (PPP) after USA. It also has 4 out of 10 largest banks of the world; China also posses 2nd largest stock market of the world while in the global Research and Development, China's share is 20 percent. China under BRI would use the corridor to enhance its export opportunities and would also corporate to enlighten growth in all the emerging markets including Pakistan. China's saving rate is currently 45 percent it is expected that China's middle class would be 35 percent of the total economy by 2030 which would increase their consumer demand and would open rooms for Pakistan and other emerging markets to capture the market.



Dr. Akbar Zaidi talked about the possible outcomes of the regional integration and close ties with China. He said that today China is producing everything. There is nothing that China is not producing; USA, Japan and South Korea combined are producing less number of engineers as compared to alone the number of engineers produced by China. Dr. Akbar said that Pakistan must open for regional integration keeping in view the

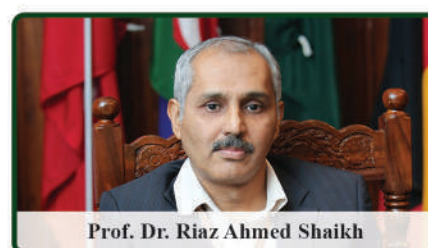


experience of Africa, Sri Lanka, and Kazakhstan. Pakistan must make it clear that Pakistan is seeking to work with China not under China for avoiding the possible conflicts. Pakistan has important geographical location, even then Pakistan does not have good ties with four of the three neighbors. Pakistan, despite of the low cost, cannot purchase barrel of oil from Iran because of the UN Sanctions. He said that Pakistan is already member of many regional organizations such as SAARC since 1984 but has low volume of trade with member countries. Whereas India is the 7th largest trading partner of China, the trade between Pakistan and India is 3 billion USD which could be increased to 35 billion USD if both the countries agree to trade freely. Over the years, Pakistan has increased its dependency on China and Saudi Arabia, while America is Pakistan biggest aid donor in past 70 years. Dr. Zaidi suggested that for Pakistan, regional collaboration is better than regional integration. Pakistan must take into accounts the CPEC terms and conditions for long-term growth and development of the country.

Mr. Iqbal Tabish highlighted the geo-strategically location of Pakistan. He said that Pakistan is situated between the world's largest populated countries and world's largest growing economy. Pakistan is already an active member of the regional integration bodies such as D8, SAARC, ECO and many more but has failed to attract substantial investment. If the country can create reforms in the rule of law and can introduce environmental standards and ensure consistency in the policies, more foreign investment would be attracted towards ventures in Pakistan. He said that Pakistan is aiming at regional integration through CPEC but is not fully prepared for it; unavailability of basic inputs such as clean drinking water, electricity, gas and poor law and order conditions leave a big question mark for the investors in Pakistan. Pakistan is capable of overcoming the challenges and embracing the opportunities available but it needs to redefine and reshape its capabilities. He told the house that the Debt-to-GDP ratio of Pakistan has increased significantly over the years; the country is also missing exports target every year. At national level, there remains the need of an industrialization policy that would cater the demand in emerging markets and would focus on value added products. Pakistan has 6th largest population in the world, he said the country must rethink reshape and prepare for the challenging future.



Prof. Riaz Ahmed Shaikh giving his valuable insights on the theme said that for Pakistan it is impossible to achieve economic connectivity without having attained the due level of political and cultural connectivity. He said that if we go through the history we would know that BRI is not one of its kind. There were many routes that connected regions and created intra connectivity such as GT road and many other in ancient times that connected Central Asia and South Asia. He said that Pakistan must diversify its risk through exploring other connectivity routes and projects. He also emphasized upon unleashing the trade potential in the South Asian region first and then in Central Asian region. Dr. Shaikh also said that Pakistan lacks the long-term vision and planning unlike China who is clear that it will combat terrorism and extremism. For Pakistan to pave its way forwards towards connectivity, it is important to work on principle of flexibility and principle of discipline and then integrate both.



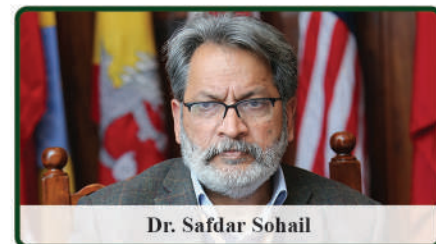
Lt. Gen (R) Moinuddin Haider addressing the challenges faced by Pakistan through its neighboring countries said that the modern era is of 5th generation war. WEST specially USA and India are not in favor of CPEC. They are being active in interrupting the smooth creation of BRI and CPEC because of the fear of China taking over the economic war in the years to come. He said that the

development of Gawadar, the central point of CPEC has slowed down due to political reasons. With the increased interest of China through CPEC there is the fear of ownership of assets & people of Pakistan are not welcoming CPEC. He said that from South Asia regional peace is missing; Pakistan has no close ties with Iran, Afghanistan and India. Linkage and harmony can be created through peace and dialogue. The FTA agreement between China and Pakistan is imbalanced; the recent government's negotiation has increased exports of Pakistan to China which has doubled. Pakistan has failed to create balance in its foreign policy; the international policies are either tilted towards America or China. With the new government, terrorism has been controlled. Tourism has improved and international airlines are welcomed. Dams need to be built for increasing the per acre yield. The direction is right for Pakistan but there remains the common will to move forward.



Lt. Gen (R) Moinuddin Haider

Dr. Safdar Sohail clearing the misconceptions related to CPEC said that all the foundation documents, MOUs, long-term plans of CPEC are available but some of the bilateral arrangements are confidential. CPEC (Gawadar, energy, connectivity and industry) is 1 plus 4 that would create further linkages and would grow the linked sectors. He said that the concessions given to China are exactly same that were given to Singapore for Gawadar. The World Bank report says that more than 400 ports across the globe are given in concession mode and so is Gawadar. The roads and infrastructure in Gawadar still remains to be built to connect it to the upper part of the country. At present it is 30 percent more expensive to import cargo from Gawadar than Karachi, the government must initially provide some subsidy from importing it through Gawadar for smooth functioning. He said that integrating with India is good but replacing India with China could never be an option on technical grounds. For expansion of domestic commerce, it is important to focus on free mobility of capital and labour with India. Openness with India would disseminate the local industries of Pakistan due to cheaper and in-scale labour cost. Pakistan has complementarity with China then India, therefore CPEC would help to embrace the industrial competitiveness. For Pakistan mutual interdependency is desirable but total dependency is not encouraged.



Dr. Safdar Sohail

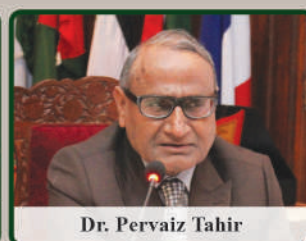




Dr. Karamat Ali



Dr. Ather Akbari



Dr. Pervaiz Tahir



Prof. Dr. Hiro Takahashi

The Shah Abdul Latif Bhittai Lecture was chaired by Dr. Pervaiz Tahir, Chairman The Bank of Punjab, Lahore while the Lecturer of the Session was Dr. Nadeem Ul Haque, Former Deputy Chairman Planning Commission of Pakistan and keynote speakers of the session included Dr. Karamat Ali, Executive Director, Pakistan Institute of Labour Education & Research, (PILER), Prof. Dr. Hiro Takahashi, DTS Tokyo lab, Minato-ku Tokyo Japan, Research AI, Block Chain optimization for Japanese Research Center, Government of Pakistan and Dr. Ather Akbari, Professor of Economics at Saint Mary's University in Halifax, Canada.

Dr. Nadeem Ul Haque could not join the forum due to some official task however he sent his presentation to be presented by **Dr. Karamat Ali**. Dr. Nadeem Ul Haque through his presentation made the point that the fundamental proposition in economics is openness and trade with everyone. Free trade is the best option for learning, competition, increasing efficiency, innovation and creative society but one must always equip itself to face the future challenges. However Pakistan never prepared itself to meet the challenges we faced; we think asking for aid and funds without addressing our core issues and domestic inefficiencies is the only way forward. Pakistan basically begs to maintain its inefficient colonial state. He also mentioned that Pakistan looks for aid and funds to build inefficient and wasteful projects that reveals less than desired future returns if any. When Pakistan negotiated with UN on FTA because of the inefficiencies, Pakistan ended up offering everything and virtually getting negative rate of return on the agreement. Although poverty reduction, technology transfer was seldom achieved through debt, aid or funds transfer. Dr. Haque also stated that Pakistan neither has the capacity to think, plan or negotiate while the new wisdom in economics calls for any unit/body or institute to think for its own good and be able to create and innovate. For Pakistan to pave its way towards development competitiveness, ability to think and create and to solve problems is desirable. It is extreme folly to think that development can be imported; this may be a convenient assumption on the part of our weak institutions but the fact is that our servitude has made us permanent member of IMF emergency ward. Pakistan's hunger for foreign assistance has destroyed the local institutions and system and has resulted in the decline of productivity and increase in negative current account balance. The current economic policy however is targeting to become one of the Asian tigers by 2050 which could only be materialized by economic reforms and building 21st century government which is capable of nurturing modern cities with efficient markets while developing trust and social capital. The government must target and specialize in all the areas and must be supported by the collective intellectual society where all the actors are involved in thought provoking and research process. If this happens and Pakistan keeps its economy open for free barriers trade the country would prosper and all the regional and international actors would seek to trade with Pakistan. Hence, Pakistan's trading route will automatically develop and Pakistan would no longer have to depend on foreign aid and trade alliances.

Dr. Karamat Ali speaking on the regional connectivity said that it is crucial to connect with all the countries within the region. There should be the free mobility of labour, goods and capital and people must be connected to aim economic integration. He said that in South Asia almost all the countries are multinational societies and multiethnic which is the root cause of the differences and conflicts. None of the country in the continent has settled borders; because of decolonization the borders were designed by colonial powers which are even today known as lines rather than borders such as Durand Line between Pakistan and Afghanistan. Pakistan is lacking serious homework on settling down the borders. Once they are acclaimed and settled, Pakistan then must think about opening them for economic activities. Pakistan can also address the issues and problems of ethnicity and minorities after that. Today the elite class of the country is concerned about the suppression of rights of minorities of other countries and is blind to see the suppression of rights of the majority of the population in their own country. Central Asia and South Asia are spending 75 billion USD on carrying out conventional laws, if these countries cut their spending by 50 percent none of the country has to go for begging for development aid to international agencies. The share of defence expenditures increase in South Asian region specifically every year after witnessing the expansion in the military expenses of the other countries in pursuit of sovereignty. Pakistan also have to make arrangements for securing its assets and resources such as oil and gas pipelines which are under construction and can help Pakistan to export energy to China and India. Pakistan must also end the internal conflicts to build common mechanism for all the neighboring countries and also sign no war pact between trading partners for long-term regionality and connectivity.

Dr. Ather H. Akbari speaking on emigration and international trade in developing countries said that World Economic Forum has adopted four-point pathway for promoting trade, attracting private investment and achieving export diversification through; cutting bureaucratic red tape, creation of a conducive regulatory and legal environment, enabling environment for improved service trade and expanding e-commerce to help reduce transaction costs of trade. He said that people migrate for economic and noneconomic reasons where economic reasons include calculation of benefits and cost and noneconomic reasons include humanitarian reasons and family reunification. While the Potential effects of emigration on trade with source country includes transaction cost effect, preference for ethnic goods and mitigation of asymmetric information. He said that Pakistani emigrants in OECD countries accounted for a quarter of annual export growth in Pakistani net exports to English-speaking OECD countries. Trade deficit with non-English speaking countries would have been 46 percent higher if there were no increase in expatriate population as their natural growth of population slows down, developed countries will rely increasingly on immigration for their labour force and economic growth. Trade policy in developing countries such as by Pakistan should view their expatriate population as another source of promoting trade; proper institutional support should be available for expatriates wanting to establish trade relations with their source countries.

Prof. Dr. Hiro Takahashi speaking on the economic impact by artificial intelligence and block chain in Pakistan said that artificial intelligence is intelligence demonstrated by machines, in contrast to the natural intelligence displayed by humans and other animals. There are serious environmental problems that Pakistan is facing, and they are getting worse as the country's economy expands and the population grows. Little is being done to tackle these issues, because the goals of economic growth and tackling terrorism within the country supersede the goals of environmental preservation. The majority of Pakistan's industrial sectors, for example fishing and agriculture, which count for more than 1/4 of the output and 2/5 of employment in Pakistan, are highly dependent on the country's natural resources. Hence in order to sustain economic growth there is a high demand on already poor natural resources. However it is ironic that what the country depends on for its growth is also what threatens the future welfare and success of the country. According to the World Bank, 70% of Pakistan's population live in rural areas and are already stricken by high poverty levels. These people depend on natural resources to provide income and tend to overuse these resources. This leads to

further degradation of the environment and subsequently increases poverty." He said that Advancements in Artificial Intelligence have contributed to the growth of the automotive industry through the creation and evolution of self-driving vehicles. As of 2016, there are over 30 companies utilizing AI into the creation of driverless cars. A few companies involved with AI include Tesla, Google, and Apple. These vehicles incorporate systems such as braking, lane changing, collision prevention, navigation and mapping. Together, these systems, as well as high performance computers, are integrated into one complex vehicle. The UK government has passed legislation to begin testing of self-driving truck platoons in 2018. Self-driving truck platoons are a fleet of self-driving trucks following the lead of one non-self-driving truck, so the truck platoons aren't entirely autonomous yet. Meanwhile, the Daimler, a German automobile corporation, is testing the Freightliner Inspiration which is a semi-autonomous truck that will only be used on the highway.

Dr. Takahashi said that financial institutions have long used artificial neural network systems to detect charges or claims outside of the norm, flagging these for human investigation. The use of AI in banking can be traced back to 1987 when Security Pacific National Bank in US set-up a Fraud Prevention Task force to counter the unauthorized use of debit cards. Programs like Kasisto and Money stream are using AI in financial services. Banks use artificial intelligence systems today to organize operations, maintain book-keeping, invest in stocks, and manage properties. In August 2001, robots beat humans in a simulated financial trading competition. AI has also reduced fraud and financial crimes by monitoring behavioral patterns of users for any abnormal changes or anomalies.

Dr. Takahashi speaking about the future of block chain in Pakistan said that blockchain is a decentralized, distributed and public digital ledger that is used to record transactions across many computers so that any involved record cannot be altered retroactively, without the alteration of all subsequent blocks. This allows the participants to verify and audit transactions independently and relatively inexpensively. A blockchain database is managed autonomously using a peer-to-peer network and a distributed time stamping server. They are authenticated by mass collaboration powered by collective self-interests. California-based Stellar startup has now received certification from Islamic scholars for its blockchain platform and related cryptocurrency, giving a glint of hope to other players in the nascent industry. The Shariyah Review Bureau (SRB), an Islamic advisory firm licensed by Bahrain's central bank, provided the certification for Stellar, alongside guidelines for the types of assets that can be traded in its platform. He said that Pakistan must in order to improve its working capacities and evolve its financial industry, government sector, real estate registration, medical & healthcare, media & advertisement, manufacturing sector and food traceability adopt the new and advanced methods of trading and smart use of AI and blockchain.

Dr. Pervaiz Tahir concluding the session said that one cannot ignore regional connectivity, the Government of Pakistan has formed many organizations with the aim to increase the volume of exports but over the years it didn't grow substantially as compared to the increase in imports. He said that there is no substitute of competitiveness; Pakistan must adopt the new and advanced technological changes such as use of AI to improve the overall efficiency and productivity of the individuals and of economy as whole.

Parallel Technical Sessions (Day 3)



Prof. Dr. Samina Khalil



Dr. Raza Ali Khan



Prof. Dr. Usman Mustafa

On the last day of the conference the Parallel Technical Sessions were held on the subjects, Sustainable Development and Regional Economic Integration, Socioeconomic Development, Urbanization, Institutions and Economic Integration and Macroeconomic Issues and Economic Growth under the main theme of Central Asian Regional Economic Integration & CPEC: Challenges, Prospects and the Way Forward (CARRIC-PCWF) 2018.

The first Parallel Technical Session on the theme Sustainable Development and Regional Economic Integration was chaired by Prof. Dr. Samina Khalil, Director, AERC while the discussants of the session were Dr. Heman Das Lohano, Associate Professor IBA, Karachi and Dr. Mehak Ejaz, Assistant Professor SZABIST, Karachi. The participants of the session were Dr. Humayun Rashid from PIDE presented his study on Capturing the Climatic Effects of El Nino and La Nina on the Economy of Pakistan, Mr. Waqas Hanif from SZABIST Karachi who presented his paper on the Influence of Green Supply Chain (GSC) Practices on the Performance of Supply Chain, Ms. Saima Nasreen from Government College Women University Faisalabad presented her study on the Long Run Causal Relationship Between Economic Growth, Transport Energy Consumption And Environmental Quality and Dr. Karim Khan from PIDE presented his study on the Special Economic Zones (SEZs) and Prospects for the Domestic Economy of Pakistan.



Dr. Heman Das Lohano



Dr. Zeeshan Atiq



Dr. Nooreen Mujahid

The second Parallel Technical Session on the theme Socioeconomic Development, Urbanization, Institutions and Economic Integration was chaired by Dr. Raza Ali Khan, Chairman, Department of Economics and Management Sciences, NED University of Engineering and Technology while the discussants for the session were Dr. Nooreen Mujahid, Associate Professor Department of Economics UOK and Dr. Adiq. K. Kiani, Federal Urdu University Islamabad. The participants of the session included Mr. Adnan Khan from PIDE Islamabad who presented his research on Sustainable Urban Development And Special Economic Zones-Considerations For China Pakistan Economic Corridor, Ms. Rabia Kanwal from AERC Karachi who presented her study on Does Urbanization Matter in the Process of Income Convergence? Evidence from South Asian Economies, Dr. Muhammad Akram from International Institute of Islamic Economics who presented his study on Fiscal Decentralization and Social Service Delivery: An empirical Analysis of Balochistan and Ms. Hira Mujahid from AERC Karachi who presented her study on Asian Economies Sectors Performance, Economic Volatility And Quality of Institutions.

The third Parallel Technical Session on the theme Macroeconomic Issues and Economic Growth was chaired by Dr. Muhammad Ali Choudhary, Director Research, State Bank of Pakistan while the



Dr. Mehak Ejaz



Dr. Adiga K. Kiani



Dr. Zulfiqar Hyder

discussants were Dr. Zulfiqar Hyder, State Bank of Pakistan and Dr. Zeeshan Atique, Assistant Professor Department of Economics UOK. The participants of the session were Dr. Safia Minhaj from Department of Economics University of Karachi who presented her study on Monetary Exchange Rate Model-South Asian Experience: A Markov Switching Approach, Ms. Sidra Shafaqat from Quaid-i-Azam University Islamabad who presented her research on E-government: A Stimulus for Foreign Direct Investment, Mr. Abid Rehman from School of Social Sciences and Humanities, NUST Islamabad who presented his study on Fiscal Policy Impact in Good and Bad Time of Real Business Cycle A Case study of Pakistan and Mr. Tehseen Iqbal from School of Economics, University of Kent/AERC Karachi who presented his research on Macroeconomic effects of Fiscal Policy Shocks in the Presence of Informal Sector.

Panel Discussion - (Day 3)

Central Asian Regional Economic Integration and CPEC

The Panel Discussion Session of the last day of the conference was on the theme Central Asian Regional Economic Integration and CPEC. The session was chaired by Dr. Zeeshan Ahmed, Dean & Rector (Acting) Karachi School of Business & Leadership (KSBL) while panelist of the session were Dr. Safdar Sohail, DG National Institute of Management, Islamabad, Prof. Dr. Shahida Wizarat, Dean CESD & Head of Economics Department IOBM, Karachi, Mr. Ishtiaq Baig, Former Vice-President- FPCCI, Prof. Dr. Nadia Tahir, Ex-Director Research and Development, Lahore Chamber of Commerce and Industries, Dr. Karamat Ali, Executive Director, Pakistan Institute of Labour Education & Research, (PILER), Karachi and Dr. Syed Hasanat Shah, Associate Professor & Foreign Expert, Jilin University, China.

Dr. Safdar Sohail speaking on CAREC AND CPEC: Struggle For Better Policy Mix to Integrate with China for Pakistan said that ‘Trade Policy’ in the lexicon of CAREC: Based on WTO practice as manifested through Accession Process, WTO Agreements and assessed through Trade Policy Review process for which the priority action areas include addressing cross cutting issues like WTO Accession; Trade facilitation; connectivity; SPS; NTBS and following a defined mechanism such as Trade Policy Coordination Committee; Action Matrix and capacity building. He said that CAREC is facing many issues if we look at it excluding China such as declining export to GDP ratios, increasing trade deficit with China, low level of product sophistication and overall economic decline/stagnation. RBI seeks to promote policy coordination, facilities, connectivity, unimpeded trade, financial integration, increased economic performance and productivity and people-to-people bonds. Whereas the limits of current RBI approach accounts for lack of inclusivity; lack of supporting regulations; poor financial management and procurement practices. The ideal Response by BRI Countries keeping in view the challenges is strong governance and strategic planning of the RBI/CPEC strategy; CAREC can however learn from CPEC and ADB can help in creating the necessary knowledge bridges for the



Dr. Safdar Sohail

bloc. The Trade Policy of Pakistan has always been open; Active WTO regime & Ambitious FTA with China; Shallow FTA with SAARC; GSP Plus with EU, GSP with US have been the part of our policy. The outcome of the policy choices from 1995 to 2018 of Pakistan resulted in SAARC-CHINA-EU+US i.e. more trade with China; declining trade with SAARC; stagnant trade with EU and US. country little prospects of more trade with SAARC due to structural problems remains and with EU and US region modest prospects remains due to poor competitiveness.

Dr. Sohail said that traditional trade theory is based on the concept of Comparative Advantage. This means that countries produce what they are most efficient in, and the subsequent trade is then based on strengths of each country vis a vis goods manufactured. Other goods are implied to not be manufactured. This is, however, an overly simplistic model and thus serves at best as a benchmark for theory only. New trade theory, however, focuses on industrial competitiveness rather than country competitiveness. Therefore, it covers a much larger scale and differences in efficiency, and (as a result) on a wider product range. However, this is still not an accurate representation on trade dynamics in the world. It did, however, explain more of trade phenomena for its time. OBOR is bringing back State in a big way, enabling the States in developing countries to recast their role and to get the financial support, if they, were interested, to play an important role in overcoming critical infrastructure bottlenecks and create efficiencies. Another important characteristics of this theory is that it gives an important place to 'regionality' of connectivity networks and trade and investment flows thus bypassing the traditional Strategic Trade Policy as practiced by Japan, Korea, China. In other words, we see the emergence of 'strategic regional trade, investment and logistics policy', which is in between the models like ASEAN and TPP. The CAREC members have competing visions of 'region' vying for their attention in the form of TPP, RCEP, ASEAN, Road and Belt Initiative, GMS etc. We contend that the presence or otherwise of a robust Industrial Policy would make the real difference in the individual country benefit sharing from these 'regional drives'. CAREC Institute can help CAREC member's better position in this journey.

Prof. Dr. Shahida Wazarat focused her discussion on the agriculture reforms and the untapped potential that can be unleashed through regional integration and connectivity. She said that integration towards West is the best option Pakistan could possibly go for when India is not willing to resolve the baseline issues and look ahead for integration. The agriculture sector of the country has great potential to meet the food demands of the Central Asian and European region. Russia and many states of Central Asia have banned genetically modified food because of its adverse effects on health. These states have switched their concentration on the consumption of organic food rather than modified food over a span. She said that Pakistan on the other hand has given license to play with the health of the masses through GMOs through amendment in law. Pakistan would eventually lose its market share to EU because 19 of the 26 member states have banned GMO food and Pakistan might have to face sanctions by violating the international standards. Through deeper integration and trade Pakistan must welcome business and technology in the country and must improve efficiencies and keep room open for educational exchange programs and industrialization.



Prof. Dr. Shahida Wizarat

Dr. Karamat Ali said that CPEC would be beneficial for all connected countries but specially for Pakistan. Pakistan needs to make internal reforms; agriculture land is in dire need of time for increasing per yield productivity and exporting agriculture. He said that rural sector employment needs to be increased and exploitation of labour must be stopped. Dr. Ali also said that Pakistan needs land reforms to change the economic and social



Dr. Karamat Ali

status of the rural class by providing them basic awareness and right to education, health and assets. State land, at least 5 to 7 acres of land, could be given to landless haris for self cultivation and grow to save them from the vicious circle of poverty. The sense of ownership plays key role in increasing the per acre yield as experienced by Indian Punjab, Pakistan must also adopt the policy of redistribution of land through serious reforms.

Mr. Ishtiaq Baig sharing his insights on the expansion of business and investment through CPEC and other regional connectivity ventures said that USD 46 billion investment is done by China in CPEC which is not in the form of loan or grant but is the investment made through projects. He said that these projects are viable and would be able to generate subsequent returns that would pay back the Chinese investors. China's



China's middle class is expanding over the years; USD 450 is the average income of China because of which its cost of doing business is going up. China is therefore looking for the value added products and is in terms of investment with Africa, Morocco and Vietnam. The world increasingly needs technical labour; Pakistan unfortunately is not producing the labour to cater future needs through industrialization under CPEC. Pakistan was losing 2 percent of GDP in the last decade because of poor law and order conditions and because of the energy crisis. The industrialists shifted their capital to Bangladesh with relatively better economic conditions and peace. It is important to understand here that China is not doing any favor to Pakistan; CPEC is a win win game for both the countries. China is Pakistan's largest trading partner with imports of USD 16 billion and export of USD 1.5 billion only. He said that the FTA between China and Pakistan was signed without taking into consideration the business community of the country. Because of the FTA the local industries such as of Ceramics and Tiles is badly demolished. The initiative of trade in local currency is welcoming, however it would save huge cost. The regional blocs worldwide are working towards increasing the volume of intra trader while SAARC has failed to increase regional trade because India doesn't want to play the role in expansion of regional markets. India also wants to curtail the growth and development of Gawadar and has already started working on CharBahar while UAE is also not pleased with CPEC because its successful completion would harm the economy. Egypt is availing highest revenues through Swiss port, Pakistan can likewise gain maximum foreign exchange reserves once CPEC is operational. It is therefore for the future of the country that all the projects initiated are completed timely.

Prof. Dr. Nadia Tahir talked about the importance of smooth banking sector and modern infrastructure for rapid connectivity and economic integration. She said that the World Bank report says that the trade between CAREC member countries is substantially low while between the SAARC countries it is said that the glass is half full. The modern trade paradigm revolves around global value chains, value addition products and state of



affairs with industry. Pakistan unfortunately has not graduated from the primary stage of staple food and dependency on agriculture sector while there is low composition of electronic and modern day needs products. The industrialization in the country is even either in textile sector or in agriculture sector while the Central Asian economies are importing machinery and transport equipments from other parts of the world and is exporting lubricants, oil, gas, metal and cotton. There remains huge potential and room for Pakistan to capture the growing plastic and tier market worldwide through value added products.

Dr. Najam Abbas speaking about integration prospects in Central Asia said that at a time when changing dynamics continue to influence the position of the Central Asian states in post-Soviet arena, it remains important to discern the main drivers that may reframe and reshape regional relations in future. He said that there is the need to refer to the endogenous factors which during the past 25 years continued to cause policy differences, institutional weaknesses, infrastructure barriers and capacity limitations among Eurasian partners and to the absence of any mechanism to effectively resolve differences in priorities and plans for meaningful and tangible partnership a lack of which retards potential progress. Insufficient mutual trust among the key players pushes them to begin their discussions from divergent viewpoints. Lingering legacies of the mindset of the past obstructs the possibilities of progress. The key players start with opposite standpoints, ensuing from a position of deficient trust. Hence, much effort, energy and time is wasted on difficulties and disruptive factors. As a result, diverse ambitions and ongoing differences of opinion between potential partners cancel out the possible collective gains that could arise with timely action. Long delays due to continuing policy differences may cause foreign investors' interest to wane or shifted away.



Prof. Dr. Nadia Tahir

Dr. Abbas said that slow progress has been caused by passivity and misgivings owing to what is conceived as a potential compromise over sovereignty by some Eurasian leaders. Stakeholders are yet to agree on sustainable solutions. The absence of any mechanism to resolve differences over priorities retards potential progress. The political will to move forward is not mobilized adequately enough for effective decisions. While in recent years the prospects of energy surplus Central Asian states finding feasible extraction and profitable transportation of oil to energy deficit markets remain hampered on grounds of unrest, insecurity, poor infrastructure and insufficient funding. There lies huge potential for European and Central Asian trade integration which could be achieved through efficient management of border regions so that development there helps uplifting of adjoining areas too creating a multiplier effect, transfer of knowledge and skill which allows young men and women as stakeholders to integrate into connectivity based commercial and economic activities to bring benefits at local level. And partnerships with academic and professional institutions to produce regular updates and advice on amount of revenue opening up could bring; and estimates of income foregone due to indecision and inaction on a weekly, monthly and yearly basis. Helping local transportation institutions to devise and track benchmarks for transit fee which could have been potentially earned and monetary estimation of opportunities lost per day because of delays/inefficiency. Help build capacity to develop and pursue diversification strategies to overcome presently evolving yet potentially compounding risks of resource curse in order to overcome vulnerability and ensure stability and growth.

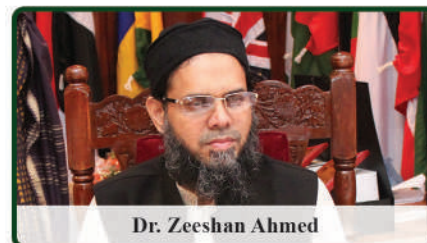
Prof. Dr. Hasnat Shah speaking about the importance of intellectual hegemony said that for connectivity the leading hegemony is intellectual hegemony. He said that collective efficiencies would increase with regional trade; CPEC is a win win situation for both the countries as CPEC would make greater availability of basket and would improve the efficiencies. Dr. Shah believes that Pakistan does not have the problem of integration but rather is facing the problem of preparation. Pakistan has failed to integrate Quetta with Karachi and many other parts with the country to the other parts of the country. He said that when Pakistan is unable to create linkages with the people of same country, religion and geographical locations how Pakistan can ensure peaceful integration with the country who's religion, culture, language and living conditions are different as of Pakistan's. He also said that Pakistan is obsessed with being the part of regional bodies and has failed to achieve fruitful gains from any on



Prof. Dr. Hasnat Shah

the bloc. Pakistan needs to focus on its comparative advantages and should only engage itself in meaningful trade bodies, Pakistan under FTA between China and Pakistan failed to utilize even 5 percent of product line available while China managed to utilize 92 percent of it. Therefore Pakistan must prepare itself through domestic linkages and comparative advantages to survive in the multi-polar world.

Dr. Zeeshan Ahmed while concluding the session said that Pakistan and Central Asia shares same religion, culture and background there remains potential for integration on the West of Pakistan while looking into the challenges and opportunities available to the country.



Dr. Zeeshan Ahmed

Experts' Opinion about the Conference:



“ It is always a pleasure to visit my alma mater in Karachi. The conference organized by the AERC on a very important theme was really very impressive and I am glad that I was a part of this conference.

DR. WAQAR MASOOD

“ This conference was organized on a very relevant and important theme for the economy of the country. I would urge the AERC to establish a centre for studies on issues related to CPEC and you can start off by allocating a corner in your library where you can place all CPEC related material, books and documents to facilitate research scholars in their research.

DR. SAFDAR SOHAIL



“ I am pleasantly surprised that AERC has acquired such stature that it has organized a conference of this level.

DR. AKBAR ZAIDI

“ This is a great honour for me that I was invited to be one of the panelists of a panel discussion on CPEC at the International Conference 2018, organized by the Applied Economics Research Centre(AERC), University of Karachi. Prof.Dr.Samina Khalil, Director of the AERC , Dr. Uzma Irum and their team deserve felicitation in undertaking a timely event to create awareness among young people about the importance of CPEC and related issues.

MR. MIRZA ISHTIAQ BAIG





“ This is a very inspiring gathering of scholars and everyone seems to have command over the subject of discussion. I am pleasantly surprised to know that everyone can very easily and fluently communicate in English language. I am also very impressed by the hospitality of conference organizers.

DR. GUOLIANG WU

“ I am glad that I was invited to be part of a highly organized and informative conference. The conference organizers of other Universities in Pakistan should learn from your organizing committee. I am sure you will continue to keep up the high standard and quality of AERC conference in coming years.

DR. NISAR HUSSAIN HAMDANI



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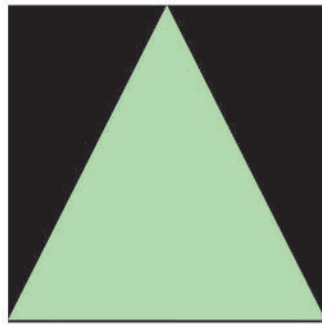
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