[CPEC – What next?](https://nation.com.pk/16-Jan-2019/641765" \t "_new)

Dr Kamal Monnoo January 16, 2019 the Nation

Is CPEC (China Pakistan Economic Corridor) controversial? Well, while the endeavour is crucial to Pakistan’s economic future, there is no denying the fact that there are a lot of concerns on certain aspects of CPEC, especially in context of its potential to erode Pakistan’s home industry. As the time to develop or fill-up the Special Economic Zones (SEZs) nears, Pakistani businesses are becoming increasingly nervous about the type of Chinese investment/industry that will actually be located in these zones. Their fear is that unless the in-coming Chinese manufacturers are somehow restricted to only export their produce (from these SEZs) to China or the global markets, the goods will invariably find their way in our domestic market, thereby further aiding the process of de-industrialisation currently at play in Pakistan! And this notwithstanding the fact that there already exists a danger of leakages (to the Pakistani markets) from a large quantum (as much as $400 billion ultimately) of Chinese goods that will in future be regularly transported through this corridor to the Gwadar port – similar devastating effects from the Afghan Transit Trade (ATT), still reverberate through the minds of the local manufacturers!

Since CPEC perhaps holds a far greater (political & security) significance for Pakistan than mere corporate numbers, it will be difficult for us to out rightly dictate our economic terms or preferences to the Chinese. So the question then arises that where lies the solution and how do we ensure that CPEC projects do not hurt Pakistan’s external account in the long run? The good news is that the new facts emerging from Asia, Africa and Europe tend to somewhat to demystify the OBOR (One Belt One Road) Initiative. As countries and corporates become smarter in engaging cum partnering Chinese initiatives, the resultant benefits also become broader and not merely restricted to China. Also, as new more informed working relationships emerge, more and more countries that partner China in the OBOR initiative become increasingly assertive in finding a mutual win-win formula in the downstream OBOR (which includes CPEC) projects’ outlays. Though currently the major partnerships that the Chinese companies have entered into are mostly with the leading global multinationals (MNCs), it is the respective governments of those MNCs that have in-turn gone on to ensure that their MNCs in-turn engage their home’s small and medium sized enterprises by making them a significant part of their supply chain network. For instance, Munich-based engineering and electronic giant, Siemens AG, is one such example where it has more than 32,000 employees working in numerous joint ventures with the Chinese. The German government in-turn has structured incentives and tax breaks for companies like Siemens in a way that not only promotes employment generation for Germans, but also connects the German SME sector (Mittelstadt) right into the supply-chain of implementing the mega projects that Siemens is doing with the Chinese.

According to the OBOR sources, EPC (Engineering, Procurement and Construction) contracts bagged by Chinese companies in partnership with foreign companies (not necessarily MNCs) have already exceeded $125 billion. Ironically, in Pakistan, the entire EPC chain of all new wind power projects in Pakistan have gone the American way with GE (General Electric) teaming up with Power Construction Corporation of China (PCCC) – We foot the bill through obtaining a loan from China, but the business in return goes to non-Pakistani companies! GE is working on 10 such projects in Pakistan with PCCC. Honeywell International is yet another example of a large American manufacturing and technology conglomerate that regularly partners Chinese corporations in OBOR projects to supply automation products for infrastructure and energy sector, all made in the USA and creating American jobs & exports.

The thing is that no country can today really afford to be outside the OBOR loop. According to the studies conducted by the Mercator Institute of China, OBOR countries and regions account for about 30 percent of the global economy. As per the figures released by the China Development Bank, projects worth $900 billion are today either under way or in the pipeline under the OBOR. The numbers go on, as the China’s law ministry reveals that Chinese companies together with their foreign partners have pledged to pour another $350 billion into the OBOR projects by 2023. So clearly the non-Chinese companies are not only partnering the Chinese in the OBOR initiative, but also significantly gaining from it by teaming up with the Chinese companies. Likewise, if Pakistan also wants to be a part of the global corporate world, then either restricting or not going forward with the CPEC (or OBOR) is not really an option.

The challenge, however, lies in building this connectivity of the Pakistani companies with their Chinese counterparts in the upcoming projects in the SEZs, and it is here that the role of the Pakistani Government will be crucial over the next 5 years. It needs to ensure that by policy formulation, both on outright protection at places and through incentives at others, the new industry that emerges in the SEZs under the CPEC umbrella not only creates jobs for Pakistanis and supplements Pakistani exports, but also that the development tangibly connects Pakistani companies with their Chinese counterparts in way that transitions them into global players. And it is in this very context that one was so happy to see a national icon, Descon, win the contract for building the Mohmand Dam in partnership with a Chinese Corporation, CGGC (China Gezhouba Group Corporation), only if the conflict-of-interest concern could have been addressed properly!

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