



CENTRE OF EXCELLENCE
China-Pakistan Economic Corridor

CPEC: A Comprehensive Perspective and Opportunities for Pakistani Businesses

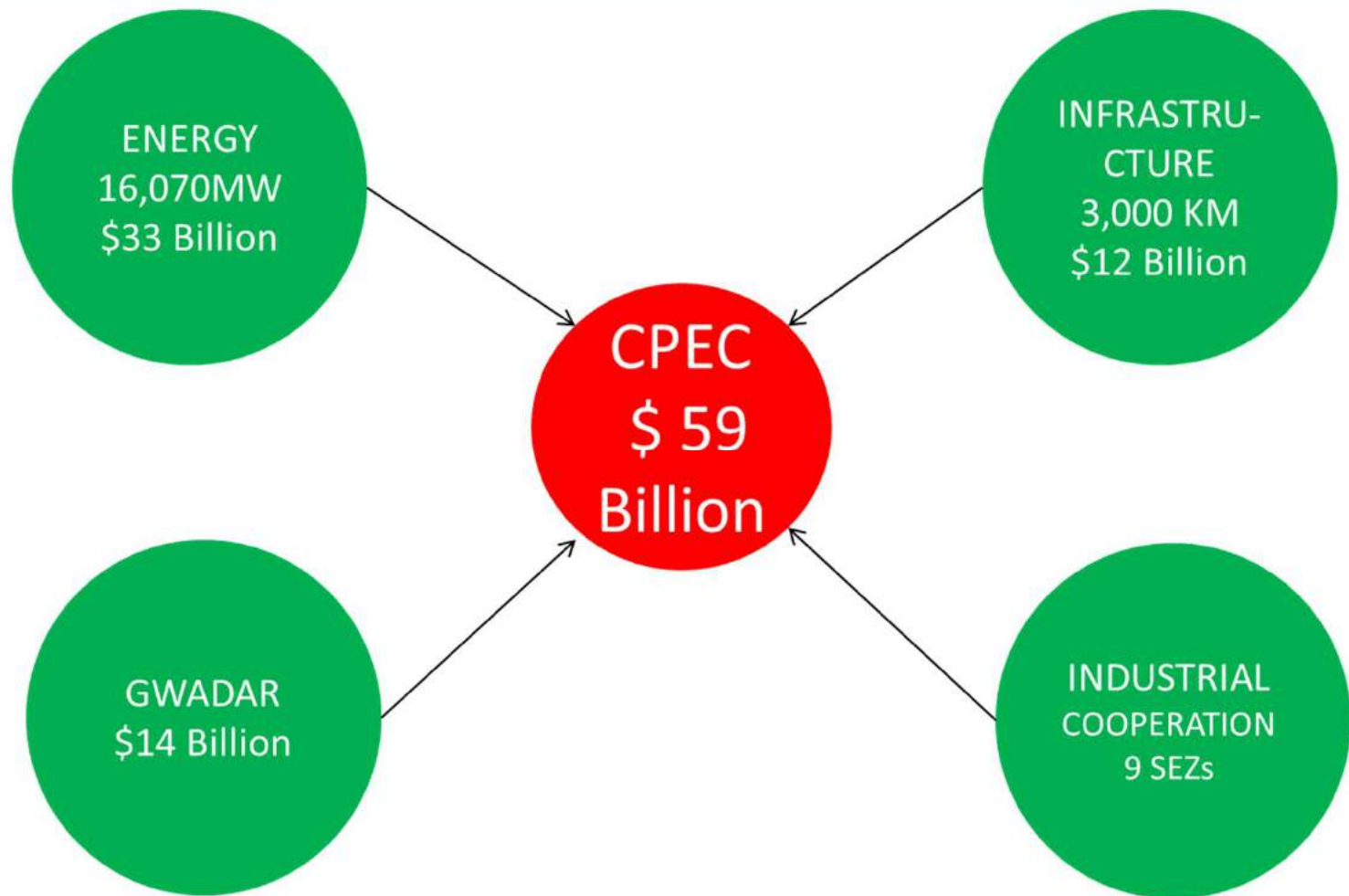
Queries about CPEC?

- **What CPEC holds for the business community?**
- **Availability and Affordability of Electricity?**
- **CPEC SEZs are meant for Chinese only?**
- **GOVT is giving additional incentives to the Chinese firms in SEZs?**
- **How Chinese businesses can promote competition and growth?**

What CPEC Offers to Business Community?

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Short term Provisions
(2020)



What CPEC Offers to business community?

Medium to Long term
Opportunities (2030)

It includes;:

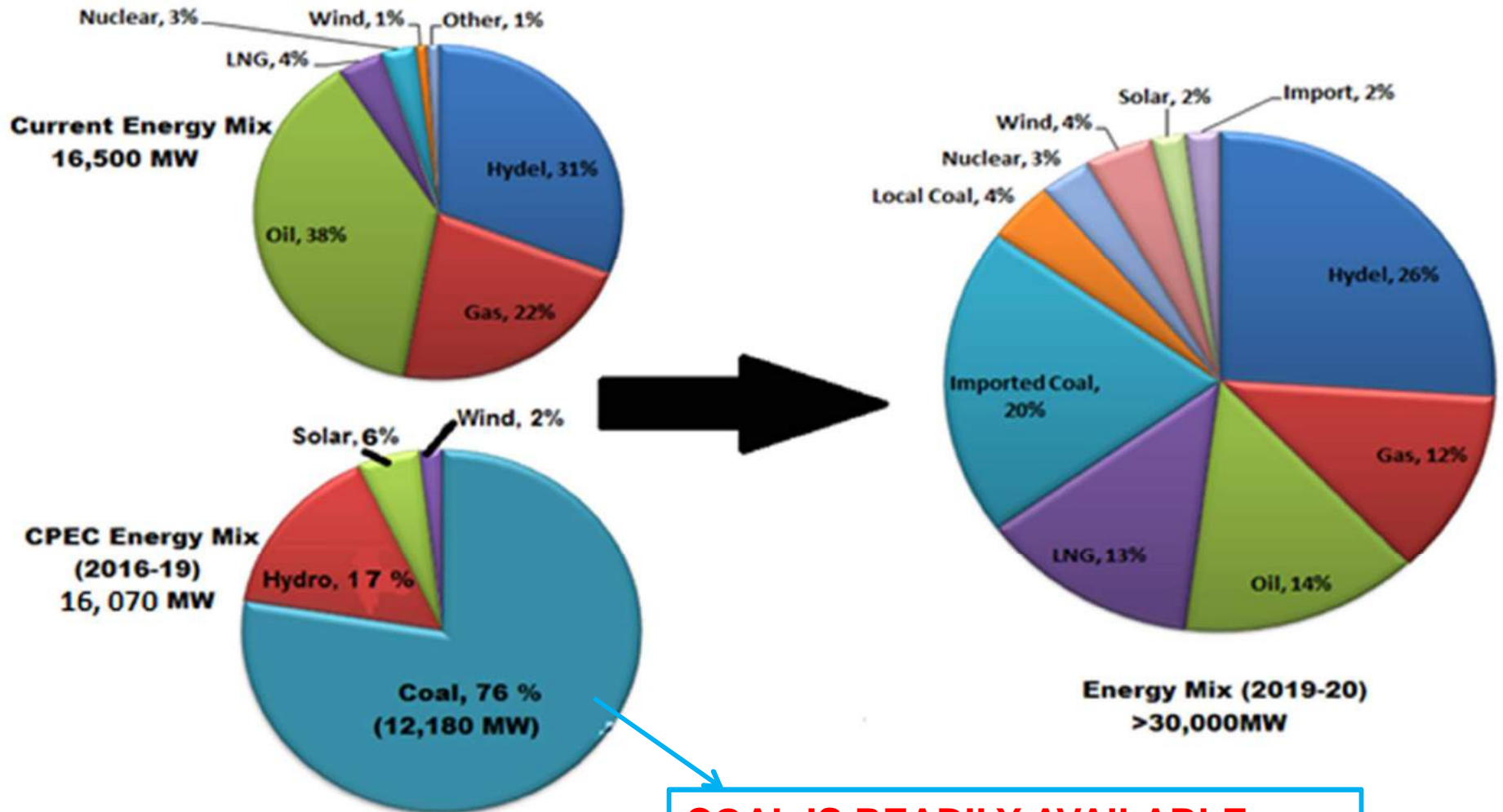
ALL THE DEVELOPMENT SECTORS, e.g.,

- **Agriculture**
- **Industry**
- **Services**
- **Hospitality**
- **Dev./Financing**
- **Education/HRD**
- **Health**
- **Shipping/Logistics**
- **Social/Cultural, ETC.**

**# PRIVATE SECTORS INTEREST AND OWNERSHIP
IS A MUST TO REAP THE FRUITS**

Availability and Affordability of Electricity?

Availability and Affordability of Electricity?



CPEC SEZ are meant for
Chinese only?

CPEC SEZs are only for Chinese?

- CPEC SEZs are **FOR ALL INVESTORS** including local, Chinese AND others
- There is no discrimination and **EQUAL OPPORTUNITIES FOR ALL**

GOVT is giving Additional
Incentives to Chinese firms in
SEZs?

GOVT is giving additional incentives to Chinese firms in CPEC SEZs?

- As compare to others, **NO ADDITIONAL INCENTIVES** are admissible to Chinese firms in the CPEC SEZs
- Same incentives are offered to all investors either local or foreigner

How can we compete with Chinese Enterprises?

How can we compete with Chinese Enterprises?

- No country in the World was able to compete with China in the recent past in most of the sectors
- We **NEED NOT TO COMPETE** with China
- We need to **UTILIZE THEIR 'STRENGTHS'** to **CAPITALIZE OUR 'ENDOWMENTS'**
- We need to **MAKE SUSTAINABLE JVs**, specially for;
 - Export Promotion
 - Product Diversification
 - Expanding VA Envelop
 - Systems and Practices
 - Adoption of Globally Acceptable Standards
 - Development of Skilled & Productive Work Force

Way Forward?

Understanding SEZs

In general, there can be six types of Industrial arrangements;

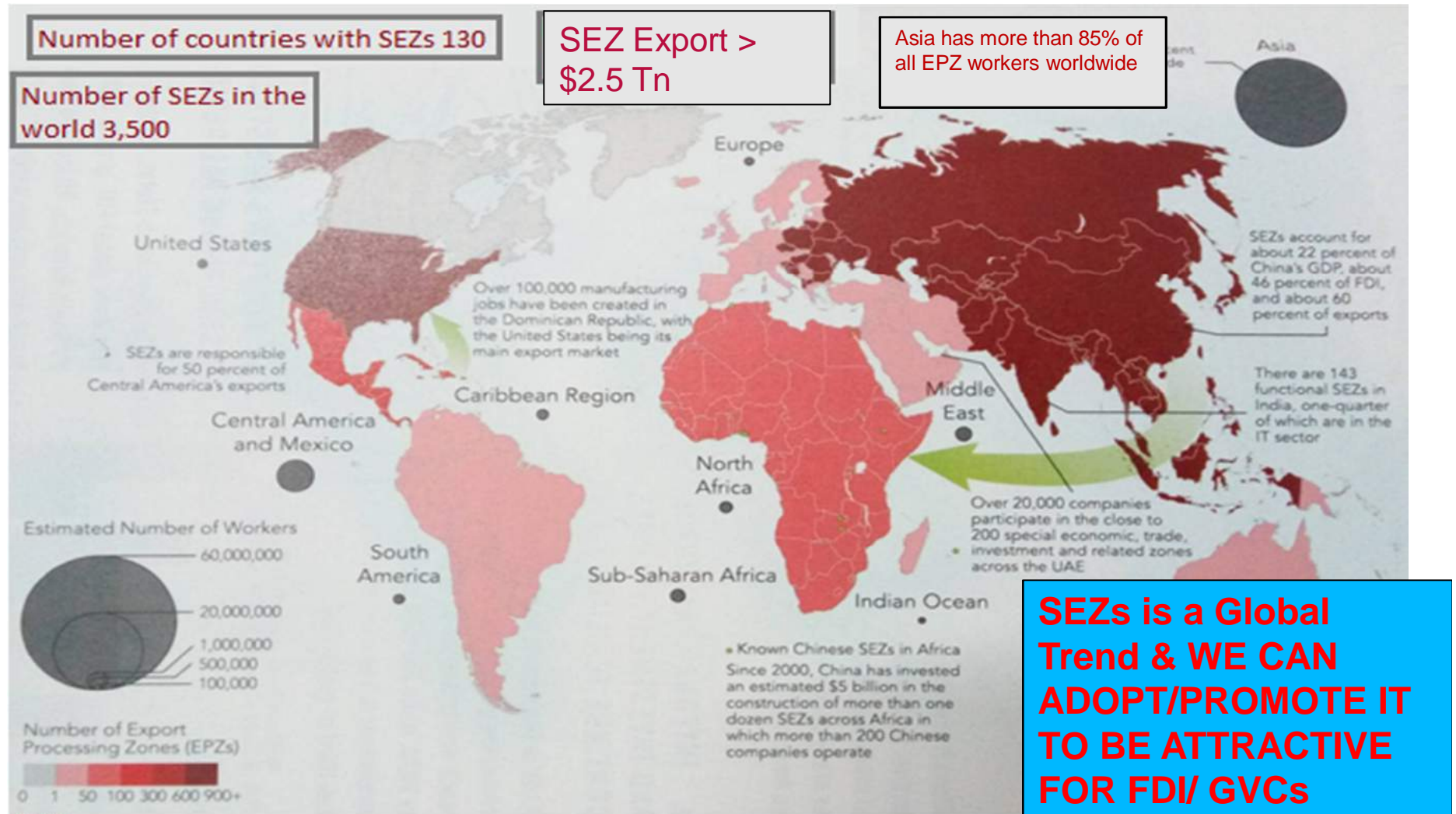
- Industrial Estate (IE)
- Industrial Park (IP)
- Special Economic Zone (SEZ)
- Eco-Industrial Park (EIP)/Green Parks
- Technology Park (TP)
- Innovation District (ID)

Why SEZ's

- **Attract FDI**
- **Receive; Technology, Advance Mgt. Practices, Globally Acceptable Standards**
- **Enable Enterprising & JVs**
- **Better Access to Global VCs & Markets**
- **Focus on Endowments & Industrial Clusters**
- **Promote Diversification of Products**
- **Help out Expanding the VA envelop**
- **Support Creation of new Employment**
- **Boost Exports**



SEZs Across the Globe



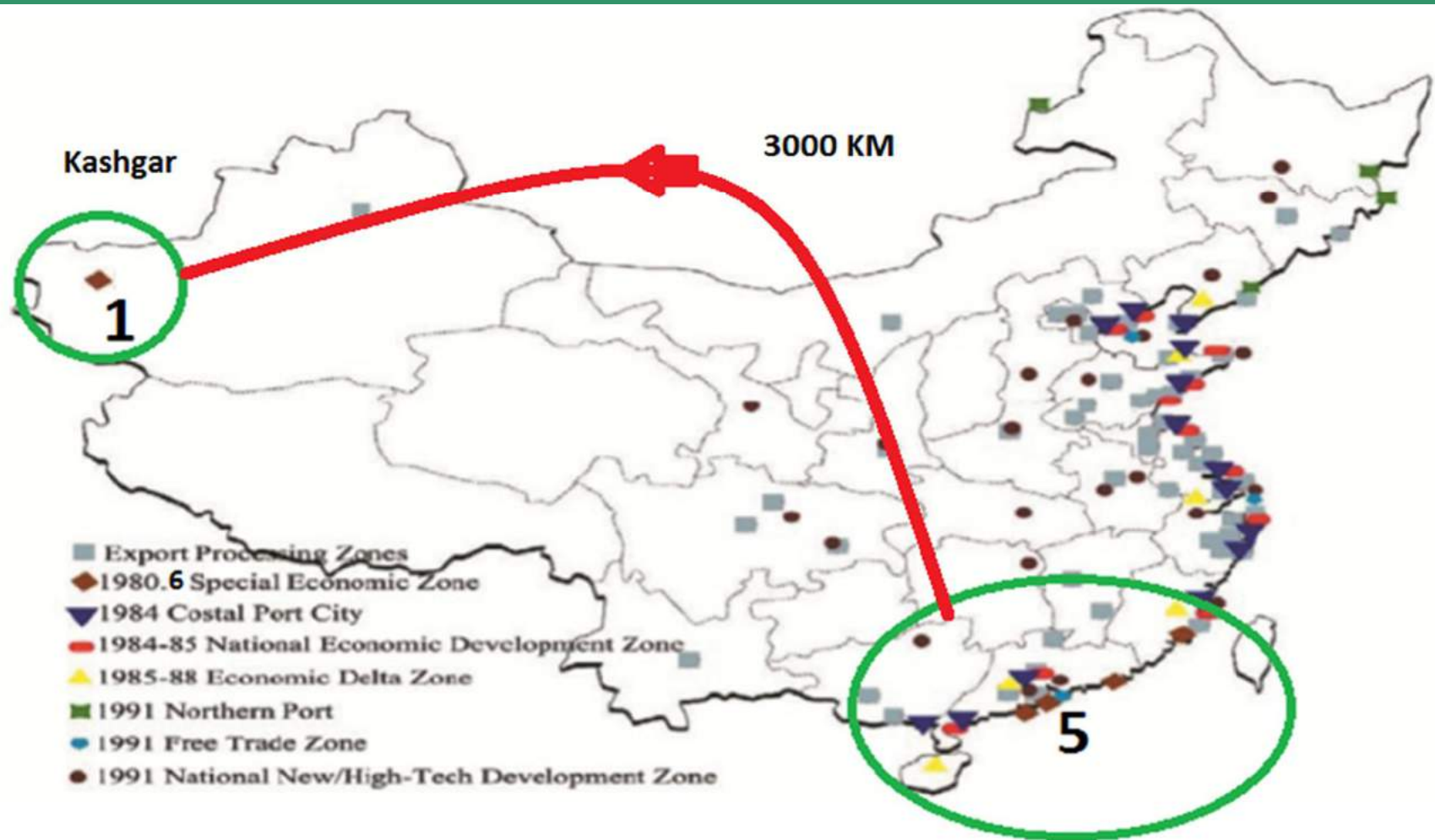
SEZs is a Global Trend & WE CAN ADOPT/PROMOTE IT TO BE ATTRACTIVE FOR FDI/ GVCs

China's SEZs History

- **Before 1978, China was a closed economy (GDP/capita=\$US156)**
- **Open Door Policy came into effect in 1978 by Deng Xiaoping**
 - **Opened doors to foreign businesses (in SEZs)**
- **By 1989, it had become the 13th largest exporter**
- **Now it is the biggest importer and exporter in the world (GDP/capita=\$US8000+)**



SEZs in China (1978 onwards)



The 6 Chinese SEZs

SEZs at national level accounted for about 22% of national GDP, 46% of FDI, and 60% of exports and generated in excess of 30 million jobs (Zeng 2010).

		SEZs	Location	Inauguration Year	Operational Year	GDP (\$)	Core Industries
Closed Economy: 1948-78	Open Economy: Chinese Central Govt announced "Reform and Open Up Policy" in 1978	Shenzhen	Guangdong(Coastal)	1978	1988	>152 B	Electronics, computer manufacturing and telecommunications
		Zhuhai	Guangdong(Coastal)	1978	1988	>19.2B	Electronics, IT, Electrical Appliances, Petrochemicals, Electric Power Supply
		Shantou	Guangdong(Coastal)	1978	1988	>19.25 B	Machinery, logistics, toy production, textiles, plastics, electric power, chemicals
		Xiamen	Fujian(Coastal)	1978	1988	>32 B	Fishing, financial services, shipbuilding, food processing, textiles, tanning, machine tool manufacturing, telecommunications, and chemical industries
		Hainan	Hainan(Coastal)	1978	1988	>32.8B	Agriculture, rubber, tourism, fisheries, herbal medicines
		Kashgar	Xinjiang(Land Locked)	2010	2010	123 B(Xinjiang)	Development and processing of oil, natural gas & agriculture

<http://understand-china.com/province/hainan/>

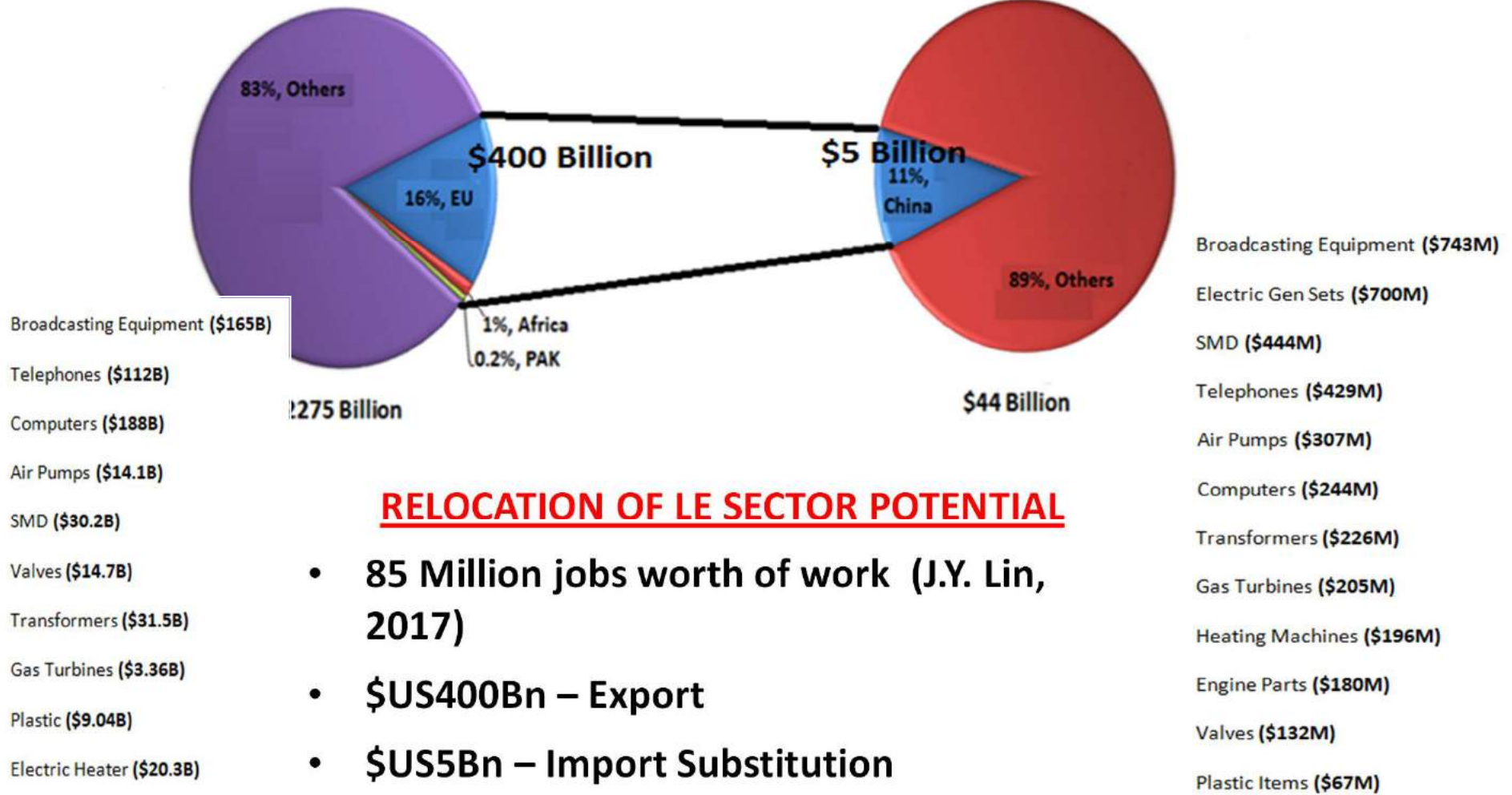
<http://www.cn.undp.org/content/dam/china/docs/Publications/UNDP-CH-Comparative%20Study%20on%20SEZs%20in%20Africa%20and%20China%20-%20ENG.pdf>

<http://documents.worldbank.org/curated/en/341851467997277688/pdf/97837-WP-box391494B-PUBLIC-SEZs-experiences-background-paper-Zeng-revision-May2015.pdf>

Chinese Light Engineering Export Analysis

Chinese Exports Destinations-2015 (Light Engineering Products)

Pakistan's Imports Origin -2015 (Light Engineering Products)



RELOCATION OF LE SECTOR POTENTIAL

- 85 Million jobs worth of work (J.Y. Lin, 2017)
- \$US400Bn – Export
- \$US5Bn – Import Substitution

Chinese Investment Outlook for Africa

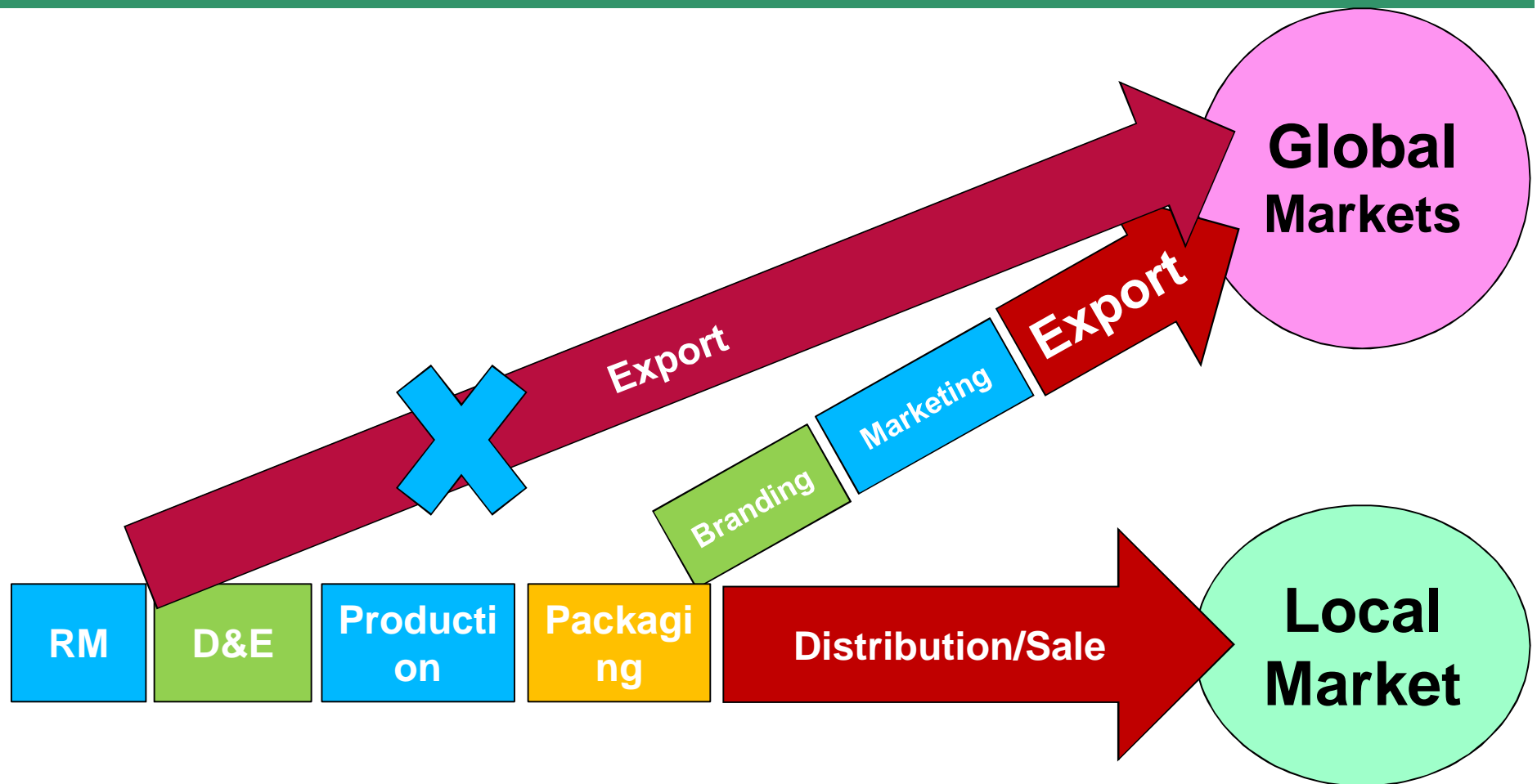
Country	Size	Planning Initiated	Status as of late 2010	Developers	Industry focus
(1) Zambia Chambishi and Lusaka zone	11.58km ² (7.98km ²) startup 2km ² Lusaka: 5km ²	2003	In operation and under construction Lusaka: planning	China Nonferrous Mining Group (CNMC group)	Copper and cobalt processing Lusaka: garments, food, appliances, tobacco, electronics
(2) Egypt Suez	5.08km ² , startup 1.07km ²	1994	In operation and under construction	Tianjin TEDA, CADF, Egypt-China Corporation for Investment (ECCI), Tianjin Suez International Cooperation Co,	Textiles & garments, petroleum equipment, automobile assembly, electronics assembly
(3) Nigeria Lekki	30km ² , Phase 1 10km ² startup 3.5km ²	2003	Under construction	China Civil Engineering Construction, Jiangning Development Corp., Nanjing Beyond China Railway, Lagos State (20%): Lekki Worldwide Investments Limited	Transportation equipment, textile & light industries, home appliances & telecommunication, Possible oil refinery
(4) Nigeria Okun	100km ² , 1 ST Phase 20km ² , startup 2.5km ²	Early 2004	Under construction	Guangdong Xinguang, South China Developing Group, Ogun State Government	Construction materials & ceramics, ironware, furniture, wood processing, medicine, computers, lightning
(5) Mauritius Originally Tianli, renamed Jinfei	2.11km ² , startup 0.75km ²	2006	Under construction	Shaanxi-Tianli Group, Shanxi Coking Coal Group, Taiyuan Iron and Steel Company	Manufacturing (textile, garment, machinery, hi-tech), trade, services (tourism, finance, construction)
(6) Ethiopia Oriental (Eastern)	2km ² , startup 1km ² with 10km ² reservation area	2006	Under construction	Yonggang (quit), Qiyuan Group, Jianglian Int'l trade, Yangyang Asset management, and Zhangjiagang Free Trade Zone (not shareholder)	Electric machinery, steel & metallurgy and construction materials
(7) Algeria Jiangling	5km ² , 1 st phase 1.2km ²	2006	Approved but suspended	Jiangling Automobile, Zhongding International	Automobile assembly, construction materials

Why to Welcome Chinese Top (Exporting) Firms?

From the Lens of some Local Success Stories:

- **Daewoo (South Korean) 1990s**
Motorway Construction and Passenger Transport
- **Honda (Japan)**
Motorcycles (now we have 21 local brands & 100s of parts mfg SMEs)
- **Fast Food Chains**
KFC, McDonald, Pizza Hut (and now many local brands)
- **Uber (ICT based Cabs) & now Careem**
- **Nestle (Milk Pack) and then Engro Foods (Olpers) & now Engro-Friesland Campina (Dutch JV of \$460M)**

Suggested Target of Pakistani Businesses



C-P Strength Outlook

Strength of Pakistan

- Strategic Location
- Natural Resources
- Developing Infra.
- Improving Energy Base
- 60% young population
- Tourism Industry and Services

Strength of China

- Surplus Investment Capital(\$2.5T)
- Largest Exporter (\$2.7T)
- 2nd Largest Importer
- Light Engineering SEZs
- Standards and Procedures

What CPEC can bring in?

Considering the **STRENGTHS OF CHINA** and **ENDOWMENTS OF PAKISTAN**, following can be done;

- Chinese FDI in SEZs in L.E Sectors for export to Middle East, Africa, Europe
- JVs of Chinese and Local Enterprise specially in SEZs
- SEZs Backward linkages with local enterprises/SMEs
- Capacity building of Local Enterprises
- Job Growth, Skill Development for Local Labours

Conclusion

- Product Diversification must be focused
- Envelop of VA should be expanded
- To be a part of GVCs is a must
- Changing the entire economy is a daunting task at a glance, therefore develop SEZs as China did
- Give full play to Chinese and other investors;
 - investment, technology and global orders

THINK Global , THINK CPEC!



CENTRE OF EXCELLENCE
China-Pakistan Economic Corridor

Thanks

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