

# The Business

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## Dar old tactics

Finance Minister Ishaq Dar has asked banks and exchange companies to help government strengthen rupee against the US dollar. The question is whether exhortation or arm-twisting will be effective in bringing down the rupee-dollar parity. Two observations are in order. First, the rupee-dollar parity that had peaked to a little over 240 on September 22, 2022 declined to 217 on Oct 10 and has since begun to rise again and was a little over 221 rupees to the dollar this week past. The new finance minister took oath on September 28 and rightly pointed out that the rupee began to strengthen after his arrival in Pakistan; however, two factors need to be highlighted in this context: those mainly held responsible for the massive rise in the rupee-dollar parity were eight banks who had been making windfall profits, as per an inquiry report carried out on the instructions of the Prime Minister. These banks had not been harshly dealt with by the then economic team leaders notably Dr Miftah Ismail as the Finance Minister and the Acting Governor State Bank of Pakistan not by Dar who, as per Ismail, was giving him specific instructions on what policies or measures to implement. Dar's repeated claim that the real effective exchange rate (REER) is under 200 rupees to the dollar, based on calculations which he has not shared with the public.

The IMF in the seventh/eighth reviews expressly stated that "notwithstanding the recent depreciation, going forward the authorities should continue to allow for exchange rate stability and avoid suppressing any trend movement. Allowing greater role for exchange rate flexibility to address external pressures will thus help safeguard and improve reserve buffers towards more prudent levels in line with the programme targets." One would assume that the finance minister is aware that the ninth review talks scheduled to begin this month are not held hostage to his insistence that the rupee is grossly undervalued. The authorities noted concern about disorderly conditions for the foreign exchange market should restrictions be removed while complementary macroeconomic policies have not yet fully kicked in. In other words, finance minister's continued attempts to bring the exchange rate down must not entail administrative and exchange measures and in the event that they are they would compromise the success of the ninth review which, in turn, would arrest all rollovers from friendly countries as well as additional assistance pledged to the Fund directly. An effort to strengthen the rupee must not be from punitive measures that would exacerbate the problems associated with the balance of payment position and stop all aid inflows - be it from multilaterals to friendly countries. Dar must understand that the sustained failure of successive Pakistani governments, including his previous two tenures as the finance minister, have brought the economy to such a pass that deferment of key structural reforms is no longer an

# Reviving CPEC: Road to prosperity



AHSAN IQBAL

Initiated in 2013 by the then prime minister Nawaz Sharif, the multi-billion-dollar China-Pakistan Economic Corridor (CPEC) was conceived and designed as the flagship project of the Chinese President Xi Jinping's signature Belt and Road Initiative (BRI).

Aimed primarily at harnessing Pakistan's important geo-strategic location into geo-economic gains through improved regional and economic integration, CPEC encompassed a full spectrum of projects ranging from physical and digital connectivity to power generation and promotion of industrialization through Special Economic Zones. After extensive research and consultations and deliberations between representatives of the Governments of China and Pakistan, a comprehensive portfolio of projects was identified for implementation under the early harvest phase (2018), short-term projects (2020), medium-term phase (2025), and long-term phase (2030). Given the severe energy crisis faced by the country in 2013 - estimated to have imposed a cost of about two per cent of GDP annually on the economy - power generation projects under the IPP policy were priori-

tized for the early harvest phase of CPEC. By the end of the early harvest phase, over 5,000MW power had already been added to the national grid while another batch of projects with a cumulative capacity of nearly 2500MW was near completion under the aegis of CPEC. Similarly, six major infrastructure projects were either completed or near completion by the end of 2018, including the Multan-Sukkur Motorway (392 kms), the Havelian-Thakot section of KKH (120 kms), Hoshab-Sorab road N-85 (449 kms; financed through PSDP), Hakla-DI Khan motorway (297 kms; financed through PSDP), Orange Line Metro train (27 kms), and cross-border optical fiber from Khunjerab to Rawalpindi (820 kms).

The total investment made in the completed and under-implementation projects stood around \$22-23 billion approximately. This massive influx of Chinese investment on the one hand boosted economic growth and helped bridge critical gaps in power, digital and physical infrastructure and aroused the interest of investors from other countries in Pakistan on the other hand. However, unfortunately just as the PML-N government managed to steer the country out of the economic crisis and put it on the track of inclusive growth, a wave of political instability hit the country, posing a threat to the hard-won economic stability achieved with the help of CPEC. The challenge to CPEC was compounded as the PTI-led government assumed power in 2018. The multi-billion-dollar initiative lost steam under the PTI, thanks to the latter's poor understanding and weak management of CPEC. Members of the PTI-led cabinet publicly spewed baseless allegations and propaganda with regard to CPEC projects. As if the latter was not enough, the inter-governmental and inter-

provincial coordination mechanisms established and institutionalized over the course of the preceding five years were needlessly rolled back with the creation of a parallel body in the form of the 'CPEC Authority'. These ill-advised steps not only affected the pace of under-implementation of CPEC projects but also undermined the confidence of existing and prospective Chinese investors. The outcome was that progress on existing projects slowed down and not even a single new project could be implemented under CPEC between 2018 and 2022.

Ever since coming into power, the current government has made herculean efforts to not only revive CPEC but also expand the scope of cooperation to include other critical areas such as water resources management and climate change, mining, agriculture, and business-to-business investments in the energy and industrial sectors. In the 11th meeting of the Joint Cooperation Committee held on Thursday, the two governments have agreed in principle to revive CPEC, expand areas of cooperation and augment/complement the strong foundation laid by government-to-government cooperation with business-to-business linkages.

The official announcements of some of the major initiatives are likely to be made in the upcoming first official visit of the Prime Minister Shehbaz Sharif to China. We are expecting the signing of formal financing agreements of the strategic infrastructure projects of ML-1 and Karachi Circular Railway (KCR). Similarly, the government of Pakistan is also actively encouraging Chinese investors to participate in the investment opportunity offered by the recently announced initiative of generation of 10,000MW solar power. Furthermore, the two governments have also agreed to deepen cooperation in the industrial

sector through expedition of work on the development of priority SEZs and development of institutional linkages between Pakistani SEZs and Chinese SEZs, companies and local governments. Lastly, the government of Pakistan has also taken a number of measures to ensure foolproof security to Chinese personnel working in Pakistan. The security of Chinese personnel working in Pakistan is a top priority for the government. In addition to reviving CPEC and expanding areas of cooperation, the government has also made dedicated efforts to address the genuine socio-economic issues faced by the residents of Gwadar. The prime minister of Pakistan is personally spearheading efforts to ensure the provision of safe drinking water and electricity to the people of Gwadar. The prime minister has also issued directions for making 0.5 million additional households from Balochistan beneficiaries of BISP, including the entire poor population of Gwadar district.

Similarly, special measures have been taken in collaboration with the government of Balochistan to address the long-standing valid concerns of fishermen of Gwadar with regards to deep-sea trawling. The government of China has also generously agreed to implement grant-funded projects worth RMB200 million for the socio-economic development of people of Gwadar. The afore-mentioned measures will ensure that CPEC spurs equitable growth and generates wider benefits for the local people.

Managing complex and strategic projects like CPEC requires not only a well-coordinated, mature and transparent approach but also administrative and policy continuity and political stability. Our government is determined to deliver all these.



## CPEC: Beyond regional connectivity

PROFESSOR DR MUHAMMAD KHAN

Prime Minister Shehbaz Sharif is currently visiting China on the invitation of Prime Minister Li Keqiang (November 1-2, 2022). During the visit the Pakistani Premier will meet Chinese President Xi Jinping and Prime Li. After the successful meeting of 20th National Congress of the Communist Party of China, the Prime Minister of Pakistan is the first leader to visit China. The 20th National Congress of the Communist Party of China (CPC) started on 16 October 2022 and closed on 22 October 2022.

President Xi has already been nominated for the third term and he is well on his way to complete his mission: Belt and Road Initiative (BRI) being the most significant mission he has assumed for himself and China in 2013. The primary objective of BRI is connecting China with the rest of the world through a number of corridors. These economic corridors are to connect China with its neighbours and then other countries and regions beyond Asia. It is pertinent to mention that the ancient Silk Road started during the westward expansion of the Chinese Han Dynasty from 206 BCE to 220 CE. Within the ambit of BRI, the China-Pakistan Economic Corridor (CPEC) is the most significant component.

During the visit of the Prime Minister, the Chinese leadership and Pakistani team will deliberate the grey areas of this gigantic project. The broader dimension of CPEC is that it is a project of larger regional integration. Besides, CPEC provides economic prosperity for various regions of Asia, especially the economically deprived regions.

Pakistan is a key state for the success of this project since it (CPEC) covers over 3000 kilometre area of Pakistani geopolitics. CPEC is a project of immense significance for Pakistan and China. Wolf, an author, had researched and highlighted the philosophy behind Belt and Road Initiative (BRI) and more about the strategy of Economic Corridors (ECs). The

Gwadar Deep Sea Port is central to CPEC and its connectivity towards the Middle East and Africa. CPEC was chosen as the flagship project of the Chinese Belt and Road Initiative (BRI). There were many reservations and misgivings about the completion of the CPEC right from its beginning. Among many others security was the chief concern since Pakistan was combating the menace of terrorism and militancy at the time of conception of the idea of CPEC. This primary issue was immediately resolved once the Pakistan Army took over the responsibility of security of the CPEC by raising two security divisions. With this guaranteed security arrangement there has been no mishap from the security point of view all along the CPEC. Recently, there have been many rumours that under pressure or otherwise, Pakistan has slowed-down progress on the CPEC. In the first phase of China Pakistan Economic Corridor (CPEC) the major focus remained on the development of projects related to energy and communication infrastructure (road network).

Indeed, energy is the most needed component for the development of all other projects of CPEC and the road network is essential for the passage of all staff needed for the initiation, development and completion of a comprehensive corridor. The next focus of the road network was on Western Route (alignment); Islamabad-Dera Ismail Khan (DI Khan) Motorway is in the completion phase and DI Khan to Zhob motorway project has also been approved by China.

The salient feature of the Western alignment is that it passes through poverty-ridden remote areas, promising to provide job opportunities for the poor masses and economic prosperity for the entire region.

While the essential aspects of the road infrastructure and energy projects are well on their way to completion, the second phase of the CPEC is all about the establishment and development of Special Economic Zones (SEZs), science and technology and related as-

pects of economic development all along the corridor. These are the major projects of the CPEC which would boost the national economy of Pakistan, enable local masses to develop their own business, agriculture and job markets. In a way, Phase-II of the CPEC is all aimed at reducing the poverty and economic prosperity of the masses at regional level. With the introduction of modern agriculture technology, the trends of corporate farming and community farming will take route in various parts of Pakistan which will substantially boost the agricultural sector of Pakistan.

As part of SEZs, the industrial sector is boosted with work on Rashakai and Faisalabad industrial zones in full swing. In Rashakai SEZ, more land is being procured for the expansion of this industrial zone, covering an area of 3,600 acres. Similarly, for the development of Allama Iqbal SEZ Faisalabad, German and Canadian firms have applied for a joint venture. Besides, SEZs of Dhabeji is considered for the development on priority since it has close proximity with Karachi port. The Gwadar Free Zone is being expanded in the second phase to an area of 2,200 acres. In the first phase it was expanded to 60 acres of land only which is mostly populated and developed now. There is a growing interest of foreign investors for their investment in various sectors. Pakistan and China are working on a bilateral framework agreement on industrial cooperation which will be signed as part of CPEC. It will be a government-to-government (G2G) deal, earlier launched in 2015 but shut down, to be restarted later.

In summary, the China-Pakistan Economic Corridor is moving ahead as per the laid-down master plan. Owing to its significance, neither Beijing nor Islamabad can afford to relegate or abandon it all together. During the meeting of Prime Minister Shehbaz Sharif, CPEC will be the primary focus. Indeed, beyond regional connectivity, CPEC is a new symbol and trademark of Pakistan-China friendship which must be completed in the given time-frame.

## Biodiversity talks

MALAVIKA VYAWAHARE

Climatic changes render terrestrial habitats inhospitable too. In Australia, in the 2019-2020 fire season, around 10 million hectares (25 million acres) of forestland was destroyed, killing more than 1 billion animals and displacing 3 billion others. For southeastern Australia, scientists showed that human-induced climate change made the fires 30 per cent more likely.

These losses are happening not just in land-based habitats but also out at sea. Coral reefs and vibrant underwater forests are some of the most threatened ecosystems in the world. But they're being battered by a changing climate that makes oceans warmer and more acidic. The planet has already warmed by 1.2 degrees C (2.2 degrees F) since pre-industrial times, and a 2 degrees C (3.6 degrees F) average temperature rise will decimate almost all tropical corals.

However, the bat deaths in Australia, Brazil's disappearing pink river dolphins, and the vulnerability of corals are extreme examples that can skew the index, which averages the change in population sizes. In fact, about half of wildlife populations studied remained stable and, in some cases, even grew. Mountain gorillas (Gorilla beringei beringei) in the Virunga Mountains spanning Rwanda, the Democratic Republic of Congo and Uganda number around 604 today, up from 480 in 2010.

Despite these bright spots, the

overall outlook remains gloomy. Even after discounting the extremes, the downward trend persists. "After we removed 10 percent of the complete data set, we still see declines of about 65 percent," Robin Freeman, an author of the report and senior researcher at ZSL, said in a statement.

Often, habitat loss, overexploitation and climate change compound the risk. Even in cases where a changing climate proves favorable, the multitude of threats can prove insurmountable. Take bumblebees, for example. Some species, like Bombus terrestris or the buff-tailed bumblebee, could actually thrive as average temperatures rise. But an assessment of 66 bumblebee species documented declining numbers because of pesticide and herbicide use.

The report emphasizes the need to tackle these challenges together. Protecting habitats like forests and mangroves can, for example, maintain species richness and check greenhouse gas emissions. The kinds of plants and their abundance directly impact carbon storage because plants pull in carbon from the atmosphere and store it as biomass. One of the deficiencies of the LPI is that it doesn't include data on plants or invertebrates (including insects like bumblebees).

Excerpted: 'Humans Are Devastating Wildlife, Report Warns Ahead of UN Biodiversity Talks'.  
Courtesy: Commondreams.org