

Q CPEC Phase-II demonstrates China-Pak's commitment to realize their shared vision of a prosperous future. The introduction of five new corridors - such as the Corridor of Information, C of Job creation, Innovation, Green Energy, and Inclusive Regional Development - illustrates CPEC's strategic diversification beyond traditional infrastructure projects. Elucidate

Ans As a linchpin of Pak-China strategic relationships, the China-Pak Economic Corridor (CPEC) is of great importance in the context of both bilateral relations and regional cooperation. CPEC strengthens cooperation b/w Pak and China, fostering economic links and paving the way for long-term shared prosperity. Moreover, the potential influence of CPEC goes beyond bilateral ties, as its extensive infrastructure network has the ability to improve regional connectivity and promote economic growth in South Asia, Central Asia, and the West Asia. The CPEC is the flagship project of President Xi Jinping's Belt and Road Initiative (BRI). It reinforces the common goals of future prosperity and regional integration.

Chinese diplomats have reiterated their commitment to expedite the project for mutual benefit, emphasizing for the accelerated progress of CPEC Phase II. This reflects China's dedication to strengthening its strategic partnership with Pak through tangible economic cooperation. Additionally, Phase-II will be expedited,

and a Working Group (WG) tasked with creating Five (5) new economic corridors will be established, according to understandings reached b/w Pak and China. This cooperative endeavor reflects the common dedication to furthering the goals of CPEC and optimizing its possible influence on regional connectivity and economic development.

Assuring coherence and synergy with the nation's larger development goals is the reason for the need of aligning CPEC with the framework of Pak's Planning Ministry. The collaboration becomes more effective and lasting when CPEC projects are integrated with Pak's national priorities, like include programmes related to renewable energy, innovation, and job development. Additionally, the need of creation of concept papers for every corridor is of utter importance as it makes it possible to create a strategic roadmap that gives implementation clarity and direction. This strategy ultimately contributes to the long-term success and socio-economic advantages of the CPEC projects by improving transparency, facilitating decision-making, and fostering more accountability in their execution.

In this regard, a well considered plan has been put up by Pak's Minister of Planning to optimize the performance of Special Economic Zones (SEZs) using the "One plus four" model as a guide, this strategy pairs each SEZ in Pak with a Chinese province, an industry group to create specialized clusters within the SEZs, a Chinese SEZ to supply technical assistance, and a state-owned enterprise to lead SEZ development.

SEZs can leverage the resources and experiences of China & Pak through this cooperative framework, creating a favorable environment for investment and economic expansion. Pakistan needs to expedite the operationalization of Special Economic Zones and increase their appeal to investors by collaborating with China's industrial might and capitalizing on its SEZ development experience.

These cooperative frameworks will have a significant impact on Pakistan's ability to draw Foreign Direct Investment (FDI) and accelerate economic growth. Through cooperation with China, Pak can enhance the efficiency of SEZs and establish industry-specific clusters that stimulate innovation and economies of scale. This in turn can draw in both foreign and domestic investment, open up job possibilities, and promote prosperity and

general economic progress. Further, Pak stands to gain from enhanced trade prospects and regional connections by aligning SEZ development with China's Belt and Road Initiative and CPEC, further boosting economic development.

* There are substantial economic advantages for both China & Pak in accelerating CPEC Phase - II.

Firstly, by building and managing infrastructure projects, particularly in industries like construction, logistics, and services, CPEC can promote job creation. Second, CPEC may help both nations grow innovation industries and skilled labor by encouraging innovation through technology transfer and cooperation. Thirdly, Phase-II can increase export capacities by lowering trade costs and enhancing connectivity, giving companies greater access to markets.

Challenges:

Security issues, such as the recent attacks on Chinese nationals in Pakistan, may hamper advancement of CPEC. Pakistani and Chinese officials are putting in combined efforts to cope with the security challenges relevant authorities on both sides are liaising in this regard.

① In case of investment and fiscal management;

A critical strategic focus is to streamline investment processes through the establishment of the Special Investment Facilitation Council (SIFC) proposed in June 2023. #

The engagement of global consultants must adhere strictly to relevant regulations. The PM emphasized leveraging the nation's skilled workforce to attain strategic objectives.

Key strategic targets over the next five years include:

- 1. Reducing foreign debt burdens.
- 2. Boosting GDP
- 3. Fostering job creation
- 4. Advancing agriculture and IT sectors
- 5. Implementing energy sector reforms
- 6. Curbing smuggling

These initiatives aim to propel the country towards self-reliance and self-sufficiency, transforming its economy.

② Furthermore, it is also critical to strike a balance b/w social responsibility, environmental sustainability, and economic prosperity. The quick expansion of CPFC must prioritize sustainable practices and take

environmental effects like pollution and habitat degradation into account. Social responsibility also means making sure the economic benefits of CPEC reach the local communities through fair labor practices, community development projects, and cultural preservation programmes. Achieving this balance is crucial to maximizing CPEC's long-term advantages while reducing its negative effects on the environment and people.

Conclusion: In conclusion, through promoting trade and economic cooperation, mitigating security concerns, facilitating investment, and managing threats to economic stability, CPEC has the potential to promote stability and prosperity not only in Pak but also the broader region. Improving trade facilitation and connectivity can help neighboring countries, as well as China & Pak, by generating jobs, developing infrastructure, and raising living standards. CPEC helps to create a more affluent and connected South Asia and beyond by fostering shared interests and fortifying regional ties.

Economic Challenges of Pakistan:

Managing a household and managing a nation have many similarities. Both need wealth, education, health, and enough daily amenities to thrive.

These are all closely tied to financial stability. When finances are in order, everything runs smoothly. If not, it becomes hard to stay strong and resilient against external pressures.

Current Situation:

Right now, Pakistan is facing serious economic problems. Achieving economic prosperity is critical for our national security and survival. Here are the main economic issues facing Pakistan.

① Heavy Reliance on Debt:

For decades, Pakistan heavily relied on debt. According to recent data, Pakistan's external debt is \$130 billion. By November 2024, Pakistan needs to repay \$27.47 billion in foreign debt, but our total foreign currency reserves are only \$14.57 billion.

The govt is seeking more loans from the IMF and friendly countries, but even our allies are hesitant to extend further loans.

2. Circular Debt and Capacity Payments:

- Circular debt and capacity payments are major issues. It has reached Rs 2.636 trillion. Pakistan must pay Rs 2.8 trillion in capacity payments during the financial year 2024-2025, which is more than the Rs 2.12 trillion defense budget.
- Rising electricity costs are worsening the situation for both common people and the economy.

3. Consumption-Driven Growth Model:

Pakistan's growth model is heavily driven by consumption, which creates economic imbalances. When growth picks up, the import bill quickly rises. In 2024, exports were \$30.65 billion, but imports were \$54.71 billion, resulting in a \$24.06 billion trade deficit. This imbalance persists whenever the government loosens regulations, imports increase and the deficit grows.

4) State-Owned Enterprises (SOEs)

State-owned Enterprises (SOEs) are a big burden. For the fiscal year 2023, total net losses of SOEs were Rs 202 billion. While profits from SOEs totaled Rs 703 billion, losses were Rs 905 billion, creating significant drain on resources.

⑤ Tax Collection Systems:-

The tax collection system and policies contribute to economic woes. Despite promises of tax reforms, successive governments have failed to deliver. The current budget includes high taxation, etc. discourages taxpayers. The fear of exploitation by the Federal Board of Revenue (FBR) also deters people from complying with tax regulations.

* Causes of these problems:

The primary causes of these economic problems are faulty economic policies and a lack of direction. Political unrest, financial losses due to the war on terrorism, climate change damages, and inconsistent economic policies have all contributed to the turmoil.

* Solutions: To address these challenges, we need to:

(1) Increase Revenue and Reduce Expenses:

Focus on local production using local materials to reduce imports and boost exports.

(2) Renegotiate Agreements:

Renegotiate agreements with Independent Power Producers (IPPs) to save billions of rupees.

(3) Develop a Skilled Workforce:

Implement skill-based education programs to ensure the young population can contribute effectively to the economy.

(4) Implement an Effective Tax Policy:

Develop a tax policy that encourages compliance and increases tax revenue without burdening tax-compliant citizens and businesses.

* Conclusion: Addressing Pakistan's economic challenges requires comprehensive and strategic reforms. By implementing these crucial changes, we can pave the way for a prosperous and secure future.