

**Ensuring Economic Take-off through CPEC:
Lessons from China in Setting the Agenda of
Comprehensive Policy Reforms**

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Abstract

The objective of this paper is to identify the areas of national life, and sectors of Pakistan's Economy, for new policy initiatives, to harness the full potential in nation building by implementing the epic mega project of China Pakistan Economic Corridor (CPEC) effectively. Pakistan confronts huge and complex nation building issues, which make us a confused society. We keep on defining and re-defining our so-called national goals, visions or objectives without actually knowing as to how to achieve them. Pakistan has a long history of 'missed opportunities' in economic take-off, as well as, mega policy missteps. Pakistan and China are part of different development paradigms, cultural milieu, social setup, organizational system, political ethos, historical experience, and above all racial lineages. Despite this, both countries have remarkable similarities too, in their contemporary evolution, development process, cultural syndromes, and even issues of common concern. The two nations have been long term strategic partners with different political culture and mindset, level of economic development, progress, prospects, and problems. China and Pakistan may belong to different cultural paradigms but the "modernization wave" affects both the countries, even-handedly. The fact that China has been able to achieve substantial level of modernization over the past three decade means that it has succeeded to make its culture 'compatible with modernism'. In the domain of economic planning, both Pakistan and

China followed different styles, nuances and parameters due to the systemic organization, ideological orientation and cultural values. China's development experience, however, offers a hundred plus lessons for countries with large population such as Pakistan, still struggling hard for 'Economic Take off' to eliminate mass poverty, underdevelopment, illiteracy and despondency. CPEC which is the flagship project of OBOR provides Pakistan with an opportunity to adopt a new development paradigm. CPEC can only be fully harnessed if the society and the economy are liberated, by way of evolution through policy reforms.

1. Preamble

The objective of this paper is to identify the areas of national life and sectors of Pakistan's Economy, for new policy initiatives to harness the full potential in nation building by implementing the epic mega project i.e. China Pakistan Economic Corridor (CPEC). The global history of development of nations is testament to the fact that natural resource endowments, geographical advantage, population, ideology, systemic organization, climatic conditions, foreign assistance etc., do all play their individual role, but it is the 'attitude' and 'inclusiveness' that critically determine their ultimate success. No wonder, when the architect of modern China's reform program, Deng Xiaoping was asked as to the greatest challenge, his response was 'mindset/attitude'. Once he was able to achieve the change in attitude of the population, his task of transforming China, was already half achieved, because the system already had inbuilt 'inclusiveness' as a socialist polity.

Pakistan's problems may have grown with time, due to its acts of omissions and commissions, but so has been its capacity to cope with them. Pakistan has all the hard and soft power assets to deal with challenges and earn a distinguished place in the comity of nations. The trajectory of success stories in the Third World began firstly, by experimenting new ideas for change. Our civil service will need to transform itself into agents for change and development. Societies and their leaderships looking for change start with a change in mindset of its bureaucracy. This is what Singapore's Lee

Kwan Yew, Malaysia's Mahathir and China's Deng Xiaoping did. The 'Age of New Normal' presents all nations with immense opportunities and challenges.

In my view, the rise of China is itself the biggest event of the 21st Century. China, through a sustained policy of reforms and opening up since the Third Plenum of 11th Party Congress in December, 1978 has gradually converted its backward economic, social and political structures into vibrant, productive and innovative forces for globalization. China's rise has been facilitated by four generations of visionary collective leadership, efficient government and hardworking masses. China's remarkable achievements are the courtesy of its rich social capital with a worldview of 'positivism', engagement, sharing and caring. Over the past decades China has benefitted enormously from the global advances in science and technology, organization and management, lifting more than a billion people out of poverty in the shortest time in human history.

2. Pakistan's Nation Building Dilemmas

Pakistan confronts huge and complex nation building issues which makes us a confused society. We keep on defining and re-defining our so-called national goals, Visions or objectives without actually knowing as to how to achieve them. Pakistan has a long history of 'Missed Opportunities' in economic take-off and Mega Policy Missteps. For instance when the Developing states were experimenting with export cultures in the 1960s, Pakistani planners

were implementing ‘Import Substitution Strategy’. In the 1970s, when the other developing countries were welcoming Transnational Corporations (TNCs), Pakistani policy planners embarked on a ‘nationalization spree’ to drive away its own nascent capitalist class i.e. the so-called 22 Families. In the decade of 1980s, when the developing countries were experimenting with the ‘Special Economic Zones’(SEZs), Pakistani leadership was preparing its own population as religious bigots for ‘afterlife’. The decade of 1990s was a totally lost decade. The era after 2000s, has been a catastrophic period for Pakistan with policy indecision, economic decline, social decay and deterioration in global image.

Our policy planners have only dished out so-called Vision Statements, Documents and Policy Papers prepared by ‘Crony Consultants’ in various regimes which have been found devoid of workable plans, policy initiatives and timelines. These otherwise well documented impressive materials which have been churned out in many volumes, using beautiful clichés, printing, formatting, data and details are rich in semantics, noble intentions, targets and verbosity. Stakeholders however keep on indulging in ‘blame game’ as we keep moving in circles. The outcome is that we are no-where to achieving any of our nation building objectives, whatsoever we might have defined or in whatever ways we might wish to define them.

Pakistan’s nation building dilemmas emanate from the peculiar historical circumstances of its creation, colonial heritage,

strategic geographical location, redundant political structures, obsolete economic organization, conformist cultural and social attitude issues and a chronic leadership crisis, etc. Hence, the greatest challenges to Pakistan are leadership crisis, absence of collective wisdom, Solo flight approach, indulgent elite, colonial mindset, low intellectual capital, emotionalism, porous society, presence of IFI hit men, weak institutions, absence of rule of law, merit and justice, political instability, obsession with hardware and hard power, low factor productivity, etc. The colonial education system, feudal leadership, indifferent elite and decadent socio-cultural ethos perpetuate these dilemmas. No wonder, Pakistan has a history of missed opportunities in development. Now yet again, opportunities for Pakistan's private sector have just arrived in time.

If Pakistan is really keen to ensure its future, then we should be having a reasonably high number of highly qualified human resource bases. Pakistan needs to devise a 'Master Plan', which should focus on building itself as the most important link of the 'Extended Economic Space with a Common Market' under the Chinese plans of future Euro-Asiatic Integration. Preparing our own human resource, business connectivity, innovative strategy, cultural interoperability and soft power can help. Every economic revolution requires at first a soft power revolution that triggers or ignites change. CPEC can help.

3. Learning from China's Development Experience

Pakistan and China are part of different development paradigms, cultural milieu, social setup, organizational system, political ethos, historical experience and above all racial lineages. Despite these, both countries have remarkable similarities too, in their contemporary evolution, development process, cultural syndromes and even issues of common concern. The two nations have been long term strategic partners with different political culture and mindset, level of economic development, progress, prospects and problems. China and Pakistan may belong to different cultural paradigms but the “modernization wave” affects both the countries; even-handedly. The fact that China has been able to achieve substantial level of modernization over the past three decade means that it has succeeded to make its culture ‘compatible with modernism’.

In the domain of economic planning, both Pakistan and China followed different styles, nuances and parameters due to the systemic organization, ideological orientation and cultural values. China's development experience, however, offers a hundred plus lessons for countries with large population such as Pakistan, still struggling hard for ‘Economic Take off’ to eliminate mass poverty, underdevelopment, illiteracy and despondency. It is difficult hence to easily pinpoint those factors that acted as the ‘catalysts’ or the ‘trigger’ for the chain reaction to take place that enabled China to

achieve an average 9-10 percent GDP growth rate for more than three decades since the policy of economic reforms were announced in December 1978. First of all it must be acknowledged that it was not achieved with a ‘Midas touch’ or ‘magic lamp.’

Pakistanis on the other hand are used to present others with surprises, whether on cricket grounds, battlefields or in geostrategic games, but the CPEC has surprised all Pakistanis. A lot of Pakistan’s intellectual elite do not know frankly, as to how to react. In our traditional setting and folk mindset, we have made CPEC as a new ‘mela’ (fair) in town. It is obvious that for a country which has been in ‘Intensive Care Ward’ of the IFIs, struggling with a billion or two of FDI, to be offered the prospects of inflow of US\$62 billion (still evolving), is beyond any imagination. Even more difficult to comprehend, is the fact that US\$ 20 billion of early harvest power projects are already nearing completion. It is apparent that Pakistan could catch up with the ‘Chinese speed of growth’.

The China-Pakistan Economic Corridor (CPEC) project has been divided into three phases: short-term plan to be completed by 2020, mid-term plan to be completed by 2025 and long-term plan to be completed by 2030. The seven pillars of CPEC’s long-term plan are: connectivity, energy, industries & industrial parks, agricultural development and poverty alleviation, tourism, cooperation in the areas concerning people’s livelihood and financial cooperation. Not only China, but other major countries such as Russia, Central Asia, Afghanistan, Iran, Saudi Arabia, Europe and Africa are finding the

CPEC as an ‘economic bonanza’ opening up ‘new growth points’ for wealth generation, in a recession prone global economy. No wonder there is growing interest in CPEC.

4. China’s Belt and Road Strategy: China Pakistan Economic Corridor

The shift in China’s development strategy away from the prosperous coastal areas to the interior central provinces and eventually to the western regions and provinces is a well thought strategic plan. It is meant to sustain China’s development and prosperity by contributing to prosperity of its extended neighborhood, following the ancient Chinese wisdom ‘prosperity thy neighbor’. The OBOR, though gigantic in size, (bigger at least 12 times), differs in many ways from US\$ 120 billion US Marshall Plan for Western Europe. The six corridors are meant to improve regional connectivity by investing in infrastructure, power generation, industrial zones, agriculture modernization and innovation driven knowledge economy.

The dream of Pakistani development planners for North-South connectivity is being rewarded as a ‘Godsend’, beyond their own wildest dreams. The two countries had been sounding out to each other their ‘vague plans’ for years. But it was only in May 2001, during the visit of Premier Zhu Rongji to Pakistan, that the first concrete step towards realization of ‘Pakistan dream’ became a reality with the signing of contract of the construction of Gwadar

Port, revival of Saindak Copper Mine Project and a dozen other energy and power projects. Those were indeed critical years for Pakistan's future. The construction of Gwadar Project by China Harbour Engineering Company (CHEC) was the first signal, that the world will never be same again. "The message for private sector businesses in Pakistan, therefore: clean up your books, formalize your company, prepare your sales pitches, print tons of business cards, meet those flocking Chinese investors, and be ready to play ball; the Chinese are hunting for good values and they are open for options JV, M&A and what not. You don't want to miss the rally, do you?" (Business-Recorder, 2017)

Under President Xi Jinping's visionary leadership, China has taken a strategic initiative of building Euro-Asiatic connectivity reviving Silk Road Economic Belt and 21st Century Maritime Silk Route with a net investment of US\$1.3 Trillion (gross investment of US\$4 Trillion) by 2030, connecting 66 countries through roads, highways, railways, ports, pipelines, energy and infrastructure projects. CPEC worth US\$ 62 billion (still evolving) is the flagship project of the Belt and Road Initiative. The CPEC with the gateway of Gwadar Port will connect and serve almost half of the world's population in its neighborhood. China's rich ancient cultural thought process has bequeathed a heritage of sharing prosperity. Unlike the Western nations, China regards a prosperous neighborhood as essential to the sustainability of its own prosperity. China does not just wish to remain an exporter, China truly believes in spreading

the benefits of globalization. China will hold an International Import Expo in 2018, as a part of its innovative strategy to let other nations promote their exports to the growing prosperous Chinese market. For Pakistan, it is an opportunity too.

China's One Belt One Road Initiative is aimed at building a prosperous neighborhood promoting connectivity with 88 countries by building Silk Road Economic Belt and 21st Century Maritime Silk Route is a historic development. The OBOR worth US\$1.3 trillion investments (Gross US\$4 trillion) aims building six corridors connecting China with Russia, Europe, Central Asia, Middle East, Pakistan and South East Asia by the year 2030. CPEC is a flagship project of the Belt and Road Initiative. Besides energy, infrastructure, transport and Gwadar Port development, the most important component of CPEC is the development of the Industrial Zones, nine of which have been prioritized. These industrial zones also called Special Economic Zones (SEZs), will house the thousands of Chinese industries and enterprises that are planned to be relocated to Pakistan.

5. CPEC led Pakistan Economic Take Off

China and Pakistan have upgraded their strategic partnership to an "All-Weather Strategic Cooperative Partnership", formalized in the joint statement issued during the visit of Chinese President Xi Jinping's historic visit to Pakistan in April, 2015 announcing US\$46 billion investment (latest US\$62 billion and evolving), as part of

CPEC. These investments were formalized under 51 Agreements and MoUs signed between both countries. The projects covered energy and infrastructure, with a third of projects under early harvest timelines, to be completed by 2017/2018. The political leadership-level interaction have increased, which would of course further deepen this relationship. The highlight of these projects, of course, is the CPEC, which is regarded as a ‘game changer’ for the two countries as well as the Central, West and South Asian region at large. CPEC is an economic strategic project of immense significance, its main objective being the economic take off of Pakistan by removing energy, transport, infrastructure and financial constraints.

The China Pakistan Economic Corridor and its related projects would deliver two million jobs and prosperity to hundreds of millions of people, in both countries and in the extended region. The CPEC was conceived over the past nearly two decades, as a lynch pin of long term plans by both China and Pakistan, to deepen their economic cooperation to match their level of ‘all weather strategic partnership’, China’s first with any country. It also fits neatly into Pakistan’s National Trade Corridor (NTC) plans of North-South connectivity. Not only China, but Russia, Central Asia, Afghanistan, Iran, India, Europe and Africa will find the CPEC as an ‘economic bonanza’ opening up ‘new growth points’ for wealth generation in a recession prone global economy. No wonder there is growing interest in CPEC.

The long IMF ravaged and moribund Pakistani economy is only beginning to witness the first droplets of its spin offs. An early implementation of the CPEC would be a ‘game changer’ for Pakistan’s economy and complement perfectly with China’s strategy of developing its inland and western regions. It envisages deepening policy coordination amongst countries and regions, extending and improving infrastructure connectivity in all its forms—road, air, sea, rail, telecommunications, energy, etc.,—across regions, fostering trade and investment flows and, last but not the least, enhancing people to people connectivity. Gwadar and Karachi will serve as its ‘southern nodes’ of ‘One Belt, One Road’ with an outlet to the Arabian Sea and the Persian Gulf. The regional and sub-regional economic integration will help to bolster growth, investment and trade in countries that had a long complex history.

China has become the largest trading partner to Pakistan during fiscal year 2014-2015. According to Chinese customs statistics, bilateral trade volume amounted to US\$17 billion during the period from January to November 2015, an increase of 19% compared to the same period of last year. There remains huge potential for exports to China, with total indicative potential in 2013 coming up to over US\$22,468.66 million, clearly revealing that China potentially has the capacity to absorb nearly all of Pakistan’s exports. Chinese imports from the world in 2013 amounted to US\$1.9 trillion. Pakistan has a comparative advantage in the export

of textiles/clothing, hides/skins, vegetables and agriculture products to China.

Since the fiscal year 2013-2014, China's direct investment in Pakistan has been on the top among all the foreign countries, for three consecutive years. Chinese total investment in Pakistan has reached more than US\$5 billion making it the largest investment destination in South Asia. The hype on the CPEC is justified as long as the necessary spade work on the various details of operational, technical, administrative, fiscal, security, institutional coordination aspects are addressed. There is a great possibility for a quantum leap in Chinese investment with the relocation of Chinese industrial enterprises to the proposed 'Special Economic Zones' all along the routes of China Pakistan Economic Corridor (CPEC).

CPEC which is the Flagship Project of OBOR provides Pakistan with an opportunity to adopt a new Development Paradigm. CPEC can only be fully harnessed if the society and the economy are liberated, by way of evolution through policy reforms. It goes without saying that all sectors of Pakistani society and economy are currently in a state of stagnation and decline; some refer it as the phase of 'Creative Destruction'. For example, the industrial class has failed to move out of 'seth culture' or grow given the cozy comfort of the protected home market. Further the private and public sector work at cross purposes. The widespread corruption makes the costs of doing business high.

Entrenched domestic lobbies in economy and institutional tussles discourage the entrance of new players and discourage competition. There is total lack of coordination, cohesion and consensus among the major stakeholders i.e. government, trade bodies, investors, think tanks, universities and research institutions. There is little attention to research and development (R&D), authorities show kneejerk reaction to criticisms, environmental considerations are totally overlooked. Those in authority are content with ‘ribbon cutting, China cutting and issuing new media headlines’ repeating the game changer rhythm umpteenth time, without any seriousness to reform the stagnating polity, rot in governance and moribund economy.

The natural advantage of Gwadar as the world’s deepest warm water port, able to handle 112 container ships, including ‘Mother Ships’, the determination of Pakistan and Chinese Leaderships, China’s technical prowess and availability of investible funds may as well transform Gwadar into a ‘Hong Kong’ or Chinese Dubai’. Gwadar could rapidly rise as a ‘phoenix’ in the desert like a pearl or jewel from the bottom of the sea. Several construction projects, such as the expansion of port facilities, customs buildings, export free zones, East Bay expressway, international airport and housing societies and skyscrapers are under construction or in planning stage. The problem of water shortage and electricity supplies are being gradually addressed, with investment in water reservoirs, desalination plants, power projects,

etc. Vocational training institutes, hospitals and universities are being built on a fast track basis.

Chinese private investors are now flocking to Gwadar to relocate industrial units such as automobiles, seafood, pharmaceuticals, chemicals, petroleum refinery, construction and energy to cater to the markets in Africa and Middle East. Gwadar's deep seaport is indeed a jewel in Pakistan's crown. Its location at the mouth of Hormuz Strait from where almost half of world's energy Supplies transit; needs no emphasis on its strategic significance. The fact that China has the will, funds and technology to develop it and Pakistan determined to make it happen, no challenge is insurmountable.

Over the past decades, China has not only 'given milk but cows' to Pakistan. Some of these are 'holy cows' too. Our Indian friends would be well advised to avoid creating issues for Pakistan, which could boomerang to them and leave them with a fate no different from their former buddy, i.e., the Soviet Union. Pakistan has once again been catapulted to the 'exalted' position of the so-called 'epicenter' of regional and global transformation.

6. Challenges to Protection of Pakistan's Interests in CPEC

- It is now becoming clear that the CPEC agreements and contracts were not adequately vetted and scrutinized by relevant stakeholders in Pakistan. Our Chinese friends need not be blamed for our own governance weaknesses. For

example, the critics of the coal-based power generation projects maintain that the “power producers shall sell electricity to NTDC/GOP, at US9.0642 cents to 10.9247cents /kwh which, after adding about Rs.2.50/kw as TD losses, unpaid bills losses, expenses/margin of Discos, etc., comes to Rs.12.02 to Rs. 13.97/kwh” (Butt, 2016).

- CPEC projects should have made it conditional for Chinese companies for sourcing their supplies from Pakistan. This seems to have been only done selectively and marginally, except for cement and steel sectors. The government had issued an SRO allowing all projects over 25 MW to import everything, even if made in Pakistan- duty free. So, all the power generation projects import everything from China except bricks, sand and cement.
- Chinese companies should have been approached for ‘technology transfer’ and establishment of ‘industrial units’ for at least those products, plants and machinery being used for projects under CPEC. This appears not to have been done, as a result Pakistan’s imports bill has been thrown in a spin. We should have instead cajoled the Chinese to put up industries to produce goods under chapters 84 and 85 of HS Codes (all machinery and instruments), in order to revive our industrial base.
- A good negotiation strategy could have achieved this outcome. Unfortunately, the solo fight, myopic approach and

the poor style of governance have put Pakistan in a vulnerable economic position. The debt serving cost is estimated to increase to US\$6.42 billion during the 2018-19 fiscal year, including US\$1.7 billion to multilaterals, US\$1.76 billion to commercial banks and up to US\$1.34 billion to international capital markets against bonds. Repayments to Paris Club and non-Paris Club creditors for the next year are estimated at US\$900 million and US\$600 million, respectively. For the 2019-20 fiscal year, the government has projected foreign debt servicing cost at about US\$7 billion, including US\$2.23 billion to commercial banks, US\$1.9 billion to multilaterals US\$1.24 billion to bond investors, and US\$1.6 billion to Paris and non-Paris Club members. It appears that the government was in a hurry due to pressures of load shedding, electoral realities or incompetence, etc.

- The solo flight approach and lack of consensus among major stakeholders, have not contributed to human resource development, vocational training or industrial revival of Pakistan. The policy initiatives and reforms required to jumpstart the economic growth are nowhere to be seen. For unknown reasons, CPEC was politicized and a hostile media let loose on it.
- The overseas Pakistanis, who could have facilitated Pakistan's economic take-off, have not been taken on board

of CPEC. Little or no considerations have been given to the protection of environment and bio-diversity sustainability. The consequence is the likelihood of the looming ‘environmental disaster’. Community participation has also not been ensured by harnessing civil society wisdom for better outcomes of CPEC.

- The absence of a legal mechanism for securing the interests of Pakistan’s public and private sector enterprises is debilitating. The lack of ‘implementing machinery’ for Chinese private sector investors, who were promised ‘One Window Operation’, is also shocking.
- So far, there is no seriousness in any department, ministry or entity in the public and private sector of Pakistan, to develop the China expertise or capacities for cultural and systemic inter-operability.
- Universities/think tanks have merely perfected the template of good drafting of papers on CPEC, based on ‘emotional hypes’, holding of repetitive seminars/workshops etc. Some are in favor, while others are against, without carrying out micro-level research studies.

The US\$46 billion which is being borrowed has to be returned with interest at 1.6% per annum on US\$11 billion (repayable in 25 years) while US\$35 billion energy projects are investment by Chinese Companies. The principal repayment which work out to about US\$3.940 billion per

annum and interest to about US\$1.908 billion, totaling US\$5.858 billion, w.e.f. 2021-22. About 2% of our current GDP shall be utilized to repay these debts and profit outflows. Success of CPEC strategy depends on revival of productive sectors in order to generate the revenue for paying back the debt and profits outflows. This will depend on a number of factors, including the Policy Reforms, comparative labor cost, competitive energy prices, availability of export surpluses, and relocation of industrial units from China.

Pakistan confronts a historic transition moment with the advent of CPEC. It cannot provide to stay long on the 'crossroad'. CPEC requires not only a change in our mindset, but also a change in our existing governance and development paradigm. The time to move on with comprehensive home grown domestic reforms in a dozen plus sectors including agriculture, industry, taxation, civil service, higher education, SEZs, foreign trade, etc., has indeed arrived. Any delay can be at our peril only. CPEC is a long term strategic project of infrastructure, energy, port development, transport and special economic zones likely to be worth US\$100 billion by 2030, if implemented smoothly. Pakistan has been made to run too long on the runway by the West, without take off. In the past, we have been too tall on the vision, and too short on the

deliverables. Nowhere in Vision 2025 document is stated the ‘timeline’ for policy reforms.

- CPEC will remain a supply side economics, real estate, infrastructure investment-unless accompanied by comprehensive policy reforms in every sector of society and economy. The only available time slot is 2018-2020.
- A committee of experts may be appointed for suggesting policy inputs in ‘Ease of Doing Business’ for enactment as an act or ordinance, for speedy implementation of the nine SEZs.
- Every federal/provincial ministry, sub-ordinate department, autonomous and semi-autonomous bodies may constitute ‘CPEC facilitation desks’ preferably led by China returned graduates. Even better, if they are Chinese language knowing.
- CPEC has unfortunately become ribbon cutting and ‘China cutting’ media management exercise. CPEC has been treated as a ‘hardware’ initiative for contracting projects, increasing the pressure on the economy of the country.
- CPEC needs a change in Pakistani leadership’s mindset, educational curriculum, cultural values, social ethos, work ethics, governance style, elitist approach, systemic organization, etc. CPEC thus requires a soft power revival and investment in soft power infrastructure.

- Pakistan's own financial hit men ensured Pakistan live in 'intensive care unit' (ICU), for too long, while the elite stash its wealth abroad. Pakistan's economic take-off was/is never in the interest of the great powers, who wish India to play 'over lord' role in South Asia for their strategic compulsions.
- For CPEC to realize its full potential, policy reforms are urgently needed in Pakistan's sectors of agriculture, taxation, civil service, higher education, industry, energy, legal/judicial system, electoral politics, administrative units, maritime blue economy, SEZs and SMEs, overseas Pakistanis, environment, mining, science and technology, foreign trade, foreign affairs, etc. Decades of precious time already lost.
- The objective should be to establish a society with merit, rule of law, freedom, justice and equity, by harnessing our own cultural values and learning from the best practices of the other societies.
- Most societies which progressed in contemporary age, rode the shoulder of others by way of imitation, emulation-leading to innovation. Pakistan has been a hostage of IFIs and its own myopic elite, for being in its current state of dismal affairs. There is lack of consensus, intellectual capital and interest.
- Pakistan cannot come out of its current mess, unless there is honest collective leadership, sincerity of purpose,

willingness to change by acknowledging mistakes, building trust, adopting humility, discipline etc.

- Pakistan's current state of society organization, political and economic set up promotes brain drain, flight of capital and perpetual political instability.
- CPEC would not only ensure Pakistan's economic take-off but also a re-alignment of Pakistan's social, political and economic structures. It is better if it happens by way of peaceful evolution, rather than by bloody revolution as happened and happening in Iran, Afghanistan, Iraq, Syria, Yemen etc.

7. Success of CPEC can only be ensured by Homegrown Comprehensive Reforms

CPEC has arrived as an opportunity for Pakistan by removing the supply side constraints for igniting its Economic Take-off. The problems in harnessing the full potential of CPEC arise from the same issues that have afflicted the society at large. So, the times for hard decisions have also arrived. Things cannot continue as usual, with the discredited ways of doing things under the colonial and post-colonial template. The fact that CPEC has come this far, despite bitter opposition of external powers such as India, as well as the emotional, myopic and elitist detractors at home, is amazing to say the least. The latter had raised hue and cry and continue to create the hype of such fears as 'colonization' and

emergence of another East India Company- to mislead the common people. The CPEC, when fully completed by 2030, envisages employment generation of 1.5 to 2 million. Already, the Chinese companies have created 80,000 job opportunities in CPEC Projects, as compared to merely 70,000 by the public sector of Pakistan during the year 2017.

It is hence in the national interest of Pakistan to let CPEC, achieve its true potential in order to ignite Pakistan's Economic take off. China has indeed helped Pakistan to achieve defence invincibility and peaceful nuclear capability. This is however, not to suggest that CPEC projects have been without problems. For instance the agreements and contracts were neither adequately vetted, nor properly negotiated. The authorities in Pakistan acted as if in a hurry, for delivery, due to public pressures of load shedding and deteriorating economic situation. There were a lot of policy missteps, gaps and disconnects. But such mega projects everywhere are notorious for raising controversies, disputes and blame games.

Pakistan has however lost enough precious time. Now there remains a narrow time space, between 2018-2020, during which new policy reforms will have to be undertaken, in consultation with private sector to ignite 'chain reaction' for Pakistan's industrial potential with the help of overseas Pakistanis. The reforms could include policy initiatives in good governance, agriculture, industry, energy, taxation, SEZ, SMEs, civil service, electoral, land, labour, administrative structure, higher education, foreign trade, maritime,

higher education, health, environment, social sector and community development etc. Similarly, there is an urgent need for micro level research, on the impact of CPEC on local industry (terms of trade), environment, and society. For this to happen, the government, industry and academia must develop a synergy. CPEC can be a ‘game changer’, if we want to make it so, by adequately preparing for it.

It is, however, now important to look beyond the ‘Early Harvest Phase’, to the early operationalization of the nine SEZs, under CPEC. For this to happen, Pakistan needs to undertake comprehensive home grown domestic reforms for jump starting the economy. It must be remembered that comprehensive reforms instead of mega projects, will determine Pakistan’s economic take-off. The CPEC, through the completion of the Early Harvest projects, are already contributing to the removal of supply side bottlenecks, such as energy load shedding, infrastructure difficulties and lack of investor confidence.

The CPEC (worth US\$62 billion and still evolving) is now becoming a reality with US\$22 billion projects in energy and infrastructure nearing completion by June, 2018, under Early Harvest Projects. The speed and quantum of mobilization, by Chinese state enterprises, to complete these mega projects deserve gratitude of all Pakistanis. Now, in order to implement the medium or the second phase of CPEC, it is of paramount importance to introduce new policy initiatives and reforms to attract China’s

private sector investment in Pakistan's proposed nine SEZs by relocation of their factories from China. The economy is now ready to achieve 6 to 8% of GDP growth rate annually for the next 15 years. The following sectors deserve priority attention for launching new set of enabling comprehensive policy reforms, in order to position Pakistan for economic take-off. Each of these, however deserve a separate paper.

8. Freedom, Merit, Rule of Law and Social Justice

In pre-reform period of China before 1978, there was lack of individual freedom. There, although all Chinese enjoyed life tenure jobs and there were no question of hiring and firing, Chinese state was the biggest 'Orphanage' of the world. The only route to promotion and prominence was to be ideologically 'red', thereby, meaning a member of Communist Party. The legal system was in an underdeveloped state, the state however promoted egalitarianism and inclusiveness, through state largesse. Such a system could not take China far. So, the first steps the new reformist leadership took was to accord utmost importance to merit in appointment, rule of law and balanced development by promoting private enterprise.

Pakistanis enjoy all sorts of freedoms they have. The merit has, however, never been the 'forte' of Pakistani governance system, which is heavily influenced by cronyism, nepotism, feudalism, and parochialism etc. The quota system needs to be abolished, with only 10 percent reserved for backward areas of the country. There is no

rule of law in the country; law is meant to serve strong individuals and narrow interest groups. As regards, the inclusiveness Pakistani society because of strong philanthropic heritage stands somewhat in a better shape without any state patronage. The Zakat Fund system and BISP are all in shambles. The state at best is a bystander. Despite the social philanthropy, the gap between haves and have not keeps widening.

8.1. Ease of Doing Business Reforms

Pakistan has consistently fallen in rankings in the major indicators of Ease of Doing Business. World Economic Forum ranked Pakistan 91 on Global Competitiveness Index in 2004, went down to 117 in 2010, and has worsened to 122 in 2016, as per the latest WEF Report issued on 28 Sep, 2016, which also ranked Bangladesh 106, Sri Lanka 71, India 39 and China 28. Ease of Doing Business, as per the World Bank, which ranked Pakistan at 69 in 2007, 74 in 2008, 85 in 2009, 83 in 2011, 105 in 2012, 107 in 2013, 110 in 2014, 136 in 2015 and 138 in 2016. This indicates the protracted deterioration in the business environment of Pakistan. It is, therefore, important to align our regulatory business environment into an enabling one, learning from the global best practices. This is possible if only the private sector stakeholders are taken on board for simplifying rules and procedures. Credible professionals need to look into the required parameters and the affirmative action to

implement them in order to upgrade Pakistan's position by the global ranking and rating agencies.

8.2 Taxation Reforms

Pakistan has complex, poor and backward taxation machinery which has failed to grow with time and generate adequate revenue. Not only the taxation net spread, and classifications are narrow and biased, it discriminates against the industrial sector. Merely, less than one percent people pay taxes, while there is heavy reliance on indirect taxes. Pakistan's large undocumented informal economy needs to be brought under tax net. The system and performance of Tax Filing Returns needs to be simplified. Agriculture and services sector also need to be brought under tax net.

8.3. Civil Service Reforms

For the size of Pakistan's economy, the size of Pakistan's Civil Service is big, bloated and inefficient. Pakistan could achieve the same existing results in governance easily, with half the number of Civil servants. There is an urgent need to reduce the number of ministries, departments and autonomous entities by re-visiting the rules of business and simplifying the rules and regulations. The government cannot forever remain the 'Employment Agency'. Pakistan's low level of development cannot bear the burden of its huge bureaucracy indefinitely. It is worthwhile to note that when China reduced its civil service from 16 million in 1980 to 4 million

in 2015, its GDP increased from US\$230 billion in 1980 to US\$23.1 trillion in 2017, and exports from US\$11 billion to US\$2.2 trillion, over the same period. Economists agree that a big government is the biggest hurdle in achieving Economic take off of any nation.

8.4. Overseas Pakistanis Policy

The success of economic development in China, India, Vietnam and Philippines is credited to be their ability to harness the full potential of their expatriate population. In case of China, more than half of the foreign direct investment inflows from 1980-2015, were from the overseas Chinese. Pakistan's national policy on overseas Pakistan is rich in semantics and low in substance. The ten million overseas Pakistanis need to be protected from 'qabza mafia', offered comprehensive policy packages and taken on board for CPEC ventures.

8.5. Agriculture Reforms

Agriculture is the most neglected sector of Pakistan. Agriculture's issues are closely related to livestock, land use, irrigation canals, water usage, seed development, fertilizer credit, rural marketing, crop price, research extension etc. Pakistan's agriculture sector operates at less than ten percent of its potential in the absence of reforms. China's rise is credited to agriculture reforms. Reforms in Pakistan's agriculture sector will contribute to

economy's revival and produce a direct impact in reducing poverty nationwide.

8.6. Small and Medium Enterprises

China experimented with Township Village Enterprises (TVEs), to provide employment to surplus agriculture labor. This is known as 'photo industrialization', which made China the 'workshop of the world'. Pakistan has a rich heritage of cottage industry, which has been decimated in the absence of reforms. Pakistan needs to adopt new incentives package and import 'prototype technologies' for kick starting agro-based SMEs, for generating employment, the shortest route to alleviating poverty.

8.7. Export Culture

The data compiled by famous British economic historian, Angus Maddison show that Pakistan's exports in 1950 were more as compared to China, South Korea, etc. Pakistan's export competitiveness has been decimated by policy missteps, 'seth culture', lack of innovation, western sanctions, embargoes duties, and quotas with maligned intentions. Our industries have not so far survived in a 'home protection mode' either. Trade bodies, chambers instead of building competitive advantages by way of knowledge, research, survey, innovation and assimilation of advanced technology and best practices indulge in politics of opportunism, parochialism, cronyism and self-destruction. Export

development will remain a mirage in the absence of real reforms. The outcome of our actions or inactions has made Pakistan a ‘loser in the era of globalization’.

8.8. Education Sector Reforms

Pakistan’s education sector is in shambles. It has three tier discriminatory system promoting class contradictions with the matric, O & A Levels and deeni madaris. A quarter of nation’s children do not go to school, the Primary education sector is confronted with ‘Ghost Schools’. These diverse school systems need however, to be integrated with a common national curriculum. Further, it is strongly felt that there has been a criminal wastage of precious resources in establishing universities on political grounds, in every district and sub-division headquarters. In the absence of qualified faculties, it has been a gross wastage of resources. Certain quarters have alleged that, the Higher Education Commission, which was tasked to produce highly qualified manpower, has squandered the opportunity and nation’s precious taxpayer’s money by engaging in ‘frivolous Masters’ and PhD Programs at home and abroad. Not only the universities and institutions where the students have been deputed are mediocre, but the disciplines and themes of research are also of little relevance to Pakistan. Further, politically connected ‘third division’ has been sent abroad who have neither the ability, to pursue their education, nor wish to return to Pakistan. The

HEC needs to cut down its bureaucracy and reform itself, learning from the best practices of China.

8.9. Legal and Judicial Reforms

For any society to progress, the legal and judicial system plays a critical role. Justice needs to be not only cheap, speedy but accessible. All democratic countries function with division of power and responsibility among the legislature, judiciary and the executive in accordance with the constitution. A major contributory factor to China's progress in recent decades has been its evolution as a law based society. "For all economic and commercial projects within and outside the national borders, a dispute mechanism must be developed addressing the key issues. There are two ways to solve the disputes: One is litigation mechanism including judicial and legislative mechanism, and the other is the arbitration between the conflicting parties" (Malik, 2018).

The institution of 'Intermediate Mediation Courts' in China that handle almost 90 percent of cases, under civil jurisdiction deserve to be emulated in Pakistan. The success of this institution has 'lessened the burden' on the superior courts, enabling them to deliver cheap, and speedy justice in high profile cases. For the success of CPEC, the establishment of a Mediation and Arbitration Court is the need of the times to retain the confidence of the Pakistani and Chinese investors. Much precious time has already

been lost in the process of development of Pakistan, due to 'stay orders' legal culture.

9. Revival of major Urban Centres and Municipal governance

While the process of urbanization continues unabated in Pakistan, the deterioration in availability of basic delivery services, quality of water, air and disposal of solid waste in major urban centers and municipalities is phenomenal. Just as the country's mammoth energy load shedding, and infrastructural bottlenecks were tackled by China, the revival and up gradation of Pakistan's urban skyline would also need a quantum investment. There is also a need to strengthen the local government institutions and municipal bodies in major urban centers of Pakistan. In the current environment none of the major urban centers can be graded as livable modern cities. All major cities should have Central Business Districts (CBD), commercial centers, hotels, parks and modern amenities for tourists and foreigners to visit and appreciate. For example, the revival of the economic engine of the country Karachi deserves special mention. The World Bank has estimated that only Pakistan's metropolitan city Karachi needs US\$9 to US\$10 billion financing, over a period of 10 years, to meet its infrastructure and service delivery requirements in urban transport, water supply and sanitation and municipal solid waste management. Local governments are in an extremely weak financial position, relying almost solely on transfers from the provincial government to meet their

budgetary needs, of which a majority is spent on salaries and pensions – leaving precious little for much-needed maintenance or development of infrastructure. Building inclusive, coordinated and accountable service delivery institutions; create strong coordination mechanisms among various public land owning and service delivery agencies. Improve the ability of these agencies to plan, finance and manage development programmes. Empower local governments to take the lead in city management (Ellis, Friaa, & Kaw, 2018)

10. Transition to Economy State from a Security State

The Marxist Leninist Centrally Planned Economy of China from 1949-1979, was a security state. Deng Xiaoping and his Reformist stalwarts took the momentous decision for China's transition to 'Economy state'. The state of security paranoid was ended. Security men and women, who were 'eyesore' for the foreign tourists and investors alike, were sent back to the barracks. The People's Liberation Army (PLA) was instead made into a professional institution. The PLA were assigned the duties to develop the utilities and infrastructure of the first SEZS. The PLA was also assigned to produce 'civilian goods' to end the shortages and rationing of essential goods for the population. A close systemic linkage for sharing the technological innovation between the states owned enterprises and PLA's research and development institutions, enabled these companies develop competitive advantages globally. Pakistan may be able to clone some aspects of this template.

11. Greening Pakistan is an Existential Question

The loss in Pakistan's green cover i.e. forested areas has been of phenomenal proportions. From a total forest cover of 25 percent in 1947, due to rapid increase in population by seven times, the forest cover has also declined by corresponding seven times to merely 3 percent in 2017. This state of affairs is assuming a comical tragedy. The loss in green cover, not only means loss in biodiversity, environment degradation, but also poses existential dangers to the continued human survival and habitats. The epic floods, melting of glaciers, landslides, reduction as well as change in rainfall patterns are posing serious policy issues for the country. It is estimated that Pakistan loses 2 percent of its GDP growth due to poor environment management.

With the implementation of CPEC projects, it is estimated that all over the country, more than a hundred thousand trees have been cut to make way for motorways, power projects and other infrastructure facilities. There has been a new weather pattern marked by drastic fall in rainfall, melting of glaciers and warming of winters. In order to tackle these existential challenges, Pakistan needs to adopt an aggressive tree plantation drive and declare it a 'National Emergency', in order for all stakeholders to utilize all available resources to mitigate the serious damages to environment. Other measures such as reduction in pollution, greenhouse emissions, water conservation schemes, reduction in marine

pollution, adoption of eco-friendly tourism policy could also be given due consideration for a green and clean Pakistan. For sustainability and resilience; invest in environmentally-sustainable infrastructure gaps and safeguard funds for its maintenance, create mechanism to protect vulnerable groups from the negative impacts of economic growth and climate change, build a resilient and sustainable environment with an emphasis on livability and regeneration.

12. Revival of Social Capital and Soft Power

Pakistan has a rich socio cultural heritage, being at the crossroad of civilizations and historic trade routes. It is among the most resilient societies with a hybrid culture. Pakistan can very well replicate China's 'soft power revolution' ignited by China's architect of reforms and paramount statesman, Deng Xiaoping. Deng neither sought visibility nor authority, but his integrity, commitment, clarity, vision and practical common sense approach, helped the Chinese people to harness their cultural strengths. Pakistan is equally well blessed. The CPEC puts Pakistan at the 'epicenter' of historic global transformation, which has only, just begun. The 'shock and awe' of this transformation will be more than anything the world has ever seen in the past. There is also the need for revival of Pakistani social capital, soft power values and work ethics to enhance the 'total factor productivity', learning from global best practices and success stories including China. For the revival of

Pakistan's social capital, the lead role can be played by educational institutions and media with a well thought out strategy. The existing so-called 'rituals' based Cultural Revolution, should give way to 'values' based cultural revival and renaissance.

13. Early Launching of SEZs under CPEC is a Strategic need for Economic Take off

Given their importance, development of SEZs should be made part of the overall growth strategy of Pakistan. Only in this way, "Pakistan will be able to achieve the objectives of pro-inclusive and sustained growth. Well considered strategic policy directions may be adopted to maximize benefits from opportunities that are likely to come from SEZs. Pakistan must negotiate with Chinese government to secure duty free status to exports originating from SEZs. Pakistan should promptly conclude special trade agreement for SEZs in addition to the existing bilateral free trade agreement". (Mahmood, 2018)

China's experience in positioning its SEZs to establish backward linkages with allied and supplier industries will be of great value to us. Pakistan should adopt innovative policy reforms to learn from the Chinese experience. There is a need for creating a synergy/ complementarity between Pakistani and Chinese SEZs for mutual advantage and their connectivity. In this respect, the limited human resource with China expertise in language, culture and corporate and systemic know how should be fully taken on board.

If we fear that CPEC is not achieving its desired objectives, it is certainly ourselves who deserve the blame and not the Chinese. We must learn to behave like mature societies, examine our own shortcomings and adopt corresponding corrective measures. A lot of the criticisms on CPEC could have been easily dissipated, if the original proposal for a central CPEC authority of experts and professionals with sub groups on infrastructure, transport, energy, agriculture, industries, finance, knowledge industry, environment, culture, digital connectivity, SEZs and Gwadar, etc., would have been accepted. However, let us now look to future.

14. Ways to guarantee CPEC's Success

- Adoption of an enabling policy of reforms package for CPEC in consultation with private sector to ignite 'chain reaction' for Pakistan's industrial potential. The reforms could include agriculture, industrial, energy, taxation, SEZ, SMEs, civil service, electoral, land, labour, administrative structure, higher education, foreign trade, etc.
- Adoption of CPEC Software with priority investment in higher education, health, social sector and community development.
- Revival of social capital, soft power values and work ethics to enhance total factor productivity.
- Learning from global best practices and success stories including China.

- Micro level research on the impact of CPEC on local industry (terms of trade), environment, and society.

With the success of CPEC, the rule of East India Company and their new incarnation IFIs and Washington Consensus in Pakistan for 70 years will be over. There will be no brain drain and no flight of capital. Outlining six major steps for maximizing benefits of the CPEC, visiting distinguished Chinese Economist Professor Justin Yifu Lin said that if Pakistan captures the opportunity, its economic growth could touch the range of 8 to 10 percent for the next 30 years or more for joining middle income or even higher income group of countries. “Pakistan possesses a golden opportunity for doing industrialization in the context of CPEC, but the country will have to align its policies to attract light machine industry for relocation purposes from China, as incentives on papers will not work. Islamabad will have to ensure comparative advantages and taking care of reducing the transaction cost for reaping benefits of industrial cooperation under the CPEC initiatives,” (Haider, 2017). A year has passed since these words were spoken by China’s foremost expert at the Ministry of Planning, Development and Reforms on 5 April, 2017. There has been no follow up action on either Industrial Policy or on SEZs. It is important that all stake holders show sincerity and seriousness for harnessing CPEC. Pakistan is losing precious time, while Chinese companies are re-locating elsewhere.

15. Conclusions

Pakistan stands in 2018, where China stood four decades ago in 1978 in terms of major development indices and issues, before Deng Xiaoping the principal architect and statesman of post 1978 Economic Reforms and open door policy to the outside world, set out to reverse the centrally planned socialist economy. He had once stated that ‘only development made sense’. It does indeed! In some respects Pakistan then being an open economy with global connectivity, institutions and corporate knowledge, was comparatively advanced. The per capita income of an average Pakistani was thirty percent, more than an average Chinese.

Development is a holistic process. Human civilization’s continual survival and progress is courtesy of ‘value addition’ by way of innovation and reforms. China has made it known that its development model however is not for export. Nonetheless, it is relevant to all developing countries, particularly Pakistan in many ways. China’s spectacular success is due to the correct policies adopted by its honest, courageous, visionary collective leadership. China’s phenomenal achievements owes to a successful implementation of its ‘homegrown’ social and economic reengineering policies on the basis of an honest and serious review of its mistakes and weaknesses of the centrally planned economy from 1949 to 1978 and its transition to a market economy.

The comprehensive set of governance, economic and diplomacy reforms since 1978 helped China to take out more than a billion people (all but 2 percent of its population) out of poverty in the shortest period in human history. Some elements of China's reforms process have been successfully 'replicated' by China's adversaries like India, Vietnam and Philippines for their own Economic take-off. China's historic transformation has fueled the dawn of an 'Asian century'. Even at its current less than seven percent of GDP growth, China is contributing almost a third to global growth, in view of the protracted recession in US, Western Europe and Japan. It is important to remember that China's success was not due to discovery of oil or gas resources, loot, plunder, flight of capital from other countries or so-called aid provided by other States or IFIs. It was due to home grown comprehensive reforms.

Despite the differences in social orientation, political system, and cultural contexts, the Chinese development experience is relevant to Pakistan for many reasons. Pakistan is a victim of partly self-inflicted injuries and partly external machinations. Pakistan and China enjoy an exemplary strategic partnership. Both are heavily populated, with available cheap labor. Both have been discriminated and treated 'unfairly' by the Western Powers. Both have a rich civilization heritage of many thousands of years, with abundant social capital and soft power values. Both countries have hostile elements in their neighborhoods, but have displayed remarkable capacity and determination to overcome all obstacles to progress.

Both nations have an Asian outlook, values and mindsets rooted in values of honesty, fairness, justice and social solidarity with their respective strengths and advantages.

If Pakistan wants a place on the high table in the 21st Century, it will have to face squarely the challenges which have been evolving and incrementally built up by the acts of omissions and commissions. There is no room for ‘blame game’, nor scope for individual ‘solo flights’. For Pakistan’s economic take-off to happen, Pakistani elite first of all, will have to change its ‘mindset’. Pakistan has the ‘critical mass’ to be counted among the leading economies by virtue of its rich economic, minerals, touristic, renewable energy resource endowments, location advantages, demographic dividend, social capital, resilience and quality of its civil and military institutions.

Pakistan is among the best blessed and placed nation on the earth for the future. Pakistan has the capacity to develop fast, if could undertake comprehensive ‘structural reforms’ in all sectors of life for economic and social take-off’ benefitting from China’s development experience and not cosmetic ‘IMF driven directives’ to keep ‘National Income Accounts’ in balance. Pakistan can indeed replicate China’s success, and replicate fast if only it had an honest, visionary, collective leadership prepared for “change”. Only then Pakistan will emerge as among top ten economies by 2050AD. The best of Pakistan is yet to come.

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