



Prof. Ahsan Iqbal
Federal Minister for Planning and Development

ICMAP: CPEC is termed as a game-changer not just for Pakistan but for the entire region. Could you briefly identify the real benefits of CPEC to Pakistan and the region, especially in context of generating employment opportunities?

AI: The financial flows are expected to raise investment to GDP ratio by 2.8 percent. This investment will spur economic activity and expected to create around two million new jobs, given employment elasticity. The enhanced power generation capacity along with improved connectivity resulting from CPEC projects is expected to add 2 percent GDP growth in medium to long term. The increased investment may initially increase imports on account of raw material and industrial machinery for projects. The investment of Chinese companies in CPEC projects as commercial ventures will thus serve as foreign direct investment and will eventually contribute to overall growth by catalyzing investment to GDP ratio.

ICMAP: The local industry fears that flow of cheap goods from China would adversely affect them? Do you agree?

AI: The import of cheap material is a false assumption. Quality is based on customer requirement and proper Quality Assurance/Quality Control measures will be assured. Development of Special Economic Zones will balance the impact of China's Transit Trade. China's interest in transferring most of its labor intensive manufacturing/ assembling plants to Pakistan will balance out any adverse effect from transit trade. Joint ventures and setting up of new industries will have multiplier impact on exports, hence balancing any adverse effect from China's trade. Chinese leading enterprises will be encouraged to invest in Pakistan and to form joint ventures with local Pakistani businesses. The Joint ventures will not only promote competition but it will uplift the Pakistani industry as well.

Prof. Ahsan Iqbal, Federal Minister for Planning & Development holds an MBA from the University of Pennsylvania, USA and B.sc (Mechanical Engineering) from the University of Engineering & Technology, Lahore. His previous appointments include Chief Coordinator/ Minister of State, Pakistan 2010 programme; Deputy Chairman, Planning Commission; Chairman, Good Governance Group, Government of Pakistan; Chairman, Pakistan Engineering Board, and Chairman, National Steering Committee on Information Technology and TQM & Productivity. He was elected to the Parliament as Member of National Assembly of Pakistan in 1993, 1997 and 2013. In the past, he also served as Policy and Public Affairs Assistant to the Prime Minister of Pakistan and as Senior Advisor, Al-Madinah Al-Monawarah Digital Economy Project, Saudi Arabia. He led the formulation of Pakistan Vision 2025 which was launched by the Prime Minister of Pakistan on 11 August, 2014. On his initiative, Pakistan's first National IT Policy was formulated. His main areas of interest include Development and Business Economics, Governance, Change Management, Strategic Management and Leadership, Knowledge Economy and International Affairs.

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ICMAP: What measures are being taken to protect local industry and will they be provided similar incentives and tax exemptions as being offered to Chinese companies under CPEC?

AI: The consultative process for the incentives of Special Economic Zones (SEZs) under CPEC is in progress and all stakeholders are being consulted on the process, including the Chambers and business leaders. At present SEZ Act 2012 provides incentives which are available to all SEZs whether they are to be established under CPEC or otherwise. SEZ incentives are available to local as well as foreign investors. BOI is working on devising a package of incentives to attract foreign investment in general and Chinese in particular.

ICMAP: What will be mechanism of tariff setting for CPEC-related power projects and who will determine the tariff?

AI: Mechanism for determining the tariff has already been approved and tariff has been issued to the investors by NEPRA. NEPRA determines tariffs for the three sectors namely Generation, Transmission and Distribution.

ICMAP: Do you think power projects set up under CPEC would help generate surplus electricity for exports?

AI: Thrust in energy sector will indeed be a major contribution of the government to address the load shedding problem and provide the vital base for the growth of national economy. Energy projects (1320 MW coal based power projects at Port Qasim and 1320 MW coal based power project at Sahiwal and 660 MW coal based power project at Thar by Engro) are making good progress besides, wind, hydel and solar based projects. It is estimated that with the completion of the energy projects in early harvest projects, 10,000 MW would be added in the National Grid by 2018.

ICMAP: It is a generally felt that major portion of CPEC will depend on local finances rather than Chinese investment. What is your opinion?

AI: Some projects are being implemented through local finance including construction of Hakla to Dera Ismail Khan. However CPEC investment is done through grants, loans and FDI. Majority of investment is in energy sector which will be done through IPP (Independent Power Project) financing mode. Other details of financing will be as under:

Transport and Infrastructure

Roads (Government concessional loan)
 Rail Network – ML-1 (GCL under discussion)
 Gwadar (Grant/GCL/Interest free loan)

Others

Fiber Optic (GCL/Grant)

Note: The total cost will have to rise when cost of new project is determined and include.

ICMAP: As per State bank figures only US\$ 500 million imports under CPEC were made during first six months of current year. Does this point to slow implementation of CPEC?

AI: Majority of projects under CPEC are as per set time lines. The projects which will commence in 2017 include Gwadar Airport; Gwadar East Express Way; up gradation of MLI and Gwadar 5.0 MGD water plant

ICMAP: Pakistan and China signed a Free Trade Agreement (FTA) in 2006. However, the FTA apparently did not benefit Pakistan as this did not increase our share in Chinese Imports. What do you say? Further, how SEZs set up under CPEC will enhance our exports?

AI: The development of Special Economic Zones (SEZs) will balance the impact of china's transit trade. The Chinese experts' team will visit Pakistan to guide the Pakistani team on the development of SEZs. The industries that will be established in SEZs will contribute in the GDP growth. It is expected that CPEC-related projects will create some 700,000 direct jobs during the period 2015-2030 and raise its GDP growth rate, adding 2.5 percent points to the country's current growth rate.

ICMAP: The success stories of China, Korea and Taiwan are due mainly to their special focus on SME development. What measures are being taken for the growth of SMEs in Pakistan, especially in context of CPEC?

IA: SMEs are part of the industrial cooperation and SMEs business leaders are being consulted in policy formulation by the Board of Investment. SMEs development is one of the focus areas. CPEC offers immense opportunities of economic growth and the SME sector has a significant share in terms of contribution to GDP, employment and exports. The priority sectors may include but not limited to logistic, gems and jewellery, construction, fisheries, dairy, livestock, engineering, mineral, leather, tourism and textiles.

ICMAP: Management Accountants are specialized in costing and tariff setting. Do you think there is scope for engaging them to undertake cost analysis and audit of energy and other projects under CPEC?

IA: ICMA Pakistan may contribute in capacity enhancement of the existing HR and may suggest focus areas to the Ministry of Planning & Development for research in the field of Finance and trade.

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The interview ended with a vote of thanks to Prof. Ahsan Iqbal Federal Minister for Planning and Development who spared his valuable time and gave his candid views exclusively for this Journal - Editor